International Labour Conference
87th Session 1999

Report II

Draft programme and budget 2000-01 and other financial questions

International Labour Office Geneva

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Second item on the agenda: Programme and budget proposals and other financial questions

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Preface

1. This report deals with the draft Programme and Budget for 2000-01 as examined by the Governing Body at its 274th Session (March 1999).

2. The full material relating to the draft 2000-01 programme and budget appears on pages 1 to 23. This material should be read in conjunction with the Director-General's Programme and Budget proposals for 2000-01 as indicated in paragraph 2 on page 1.

3. The Governing Body's recommendations concerning the scales of assessment of contributions to the budget for the 2000-01 financial period, proposed amendments to the Financial Regulations and the composition of the Administrative Tribunal of the ILO, together with the related draft Conference resolutions, are set out on pages 24, 25 and 27 respectively.

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Programme and Budget for 2000-01

Consideration of the Director-General's Programme and Budget proposals for 2000-01 by the Programme, Financial and Administrative Committee and the Governing Body

1. The Director-General's Programme and Budget proposals for 2000-01 were submitted to the Governing Body at its 274th Session (March 1999) in documents GB.274/PFA/9/1 (Volume 1 — Strategy and orientation) and GB.274/PFA/9/2 (Volume 2 — Programme descriptions and budgetary information). Volume 1 is being reissued as a supplement to the present report and circulated to those recipients of the report to whom the proposals in question have not already been sent. During its discussion of the programme and budget, the Governing Body agreed that Volume 2 would not be reissued for the Conference but that financial tables, together with other budgetary information contained in Volume 2, be reproduced in the present report (pages 3 to 23).

2. The Director-General's proposals were considered in the first instance by the Programme, Financial and Administrative Committee of the Governing Body. The Committee's discussion of the proposals was recorded in its third report to the Governing Body, which is reproduced in Annex 1 to the present report. [1] The Governing Body accepted the recommendations of the Committee and decided to propose to the International Labour Conference a resolution related to the adoption of the programme and budget for the 67th financial period, ending 31 December 2001, and for the allocation of expenses among members in that period. The text of the proposed resolution is given below in paragraph 8.

3. It will be observed that budget presentation for the 2000-01 biennium is centred on four strategic objectives, namely, fundamental principles and rights, employment, social protection and social dialogue. A statement providing further details of the budget of expenditure will be submitted by the Director-General to the Governing Body at its 276th Session (November 1999), as required by article 15 of the Financial Regulations.

4. It will also be observed that the proposed resolution is incomplete as regards the final budget level. The Governing Body endorsed a provisional programme level of US$481,050,000 estimated at the 1998-99 budget exchange rate of 1.46 Swiss francs to the US dollar. The final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessments will be determined by the Conference, on the recommendation of the Finance Committee of Government Representatives, at its forthcoming session.

[1] See blue title page. This report for the Conference was prepared immediately after the 274th Session (March 1999) of the Governing Body so as to reach member States as early as possible in accordance with article 6 of the Financial Regulations. The discussion of the Programme, Financial and Administrative Committee's third report in the Governing Body will be reflected in the minutes of the 274th Session of the Governing Body, which were not available at the time of going to press.

5. The Director-General's proposed expenditure budget for 2000-01 (Parts I to III), which was endorsed by the Governing Body, is set out in table A on page 3 below.

6. Table B, which is set out on page 4 below, and is entitled "Regular budget estimates and analysis of increases and decreases", permits the identification of changes in programme level — as distinct from changes due to cost increases and currency fluctuations. Column (B) shows the Director-General's proposals for 2000-01 costed in terms of constant 1998-99 US dollars, i.e. on the basis of cost levels and exchange rates used in preparing the 1998-99 programme and budget. These figures can thus be compared directly with those in column (A), which is headed "1998-99", so that programme increases and decreases in real terms can be readily identified. The figures in column (E) represent the 2000-01 budget proposals costed on the basis of estimated 2000-01 cost levels and the 1998-99 budget rate of exchange of 1.46 Swiss francs to the US dollar.

Recommendations of the Governing Body to the Conference at its 87th Session (June 1999)

7. The Governing Body recommends to the Conference at its 87th Session (June 1999) that the final amount of the 2000-01 budget be based on the endorsed proposed expenditure budget of US$481,050,000 estimated at the 1998-99 budget exchange rate of 1.46 Swiss francs to the US dollar, to be revalued at the rate of exchange set by the Conference.

8. The Governing Body also recommends that the text of the related resolution to be adopted by the Conference should be as follows:

The General Conference of the International Labour Organization,

(a) In virtue of the Financial Regulations, adopts for the 67th financial period, ending 31 December 2001, the budget of expenditure of the International Labour Organization amounting to US$ ..... and the budget of income amounting to US$ ....., which, at the budget rate of exchange of ..... Swiss francs to the US dollar, amounts to ..... Swiss francs, and resolves that the budget income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives;

(b) Requests the Director-General to submit to the Governing Body at its 276th Session (November 1999) a statement as referred to in article 15 of the Financial Regulations, providing further details of the budget of expenditure.

1. Proposed expenditure budget by appropriation line

Item	1998-99 Budget	2000–01 estimates (in constant 1998-99 dollars)	2000-01 estimates (recosted)
Part I. Ordinary budget			
A. Policy-making organs[1]	**65,636,386**	**65,440,917**	**65,157,610**
B. Strategic objectives[2]	**357,087,481**	**358,067,950**	**357,328,175**
1. Fundamental principles and rights at work —		78,565,118	78,371,730
2. Employment —		132,124,622	131,959,782
3. Social protection —		88,553,188	88,273,644
4. Social dialogue —		58,825,022	58,723,019
C. Management services[3]	**40,931,367**	**40,931,367**	**40,838,226**
D. Other budgetary provisions	**20,636,500**	**20,636,500**	**20,941,271**
Adjustment for staff turnover	**(4,116,734)**	**(4,116,734)**	**(4,090,282)**
Total Part I.	**480,175,000**	**480,960,000**	**480,175,000**
Part II. Unforeseen expenditure			
Unforeseen expenditure	**875,000**	**875,000**	**875,000**
Part III. Working Capital Fund			
Working Capital Fund	**0**	**0**	**0**
Total (Parts I-III)	**481,050,000**	**481,835,000**	**481,050,000**

[1] This item covers the functions described under: 10 (International Labour Conference), 20 (Governing Body), 30 (Major Regional Meetings), 210 (Legal services), and 220 (Relations, meetings and document services).

[2] This item is subdivided into three groups: viz the technical programmes, the regional programmes and support activities. These three groups are described in more detail in table 2.

[3] This item covers the functions described under: 40 (General management), 160 (Personnel), 170 (Financial services), and 200 (Programming and management).

2. Regular budget estimates and analysis of increases and decreases

	(A) 1998-99	(B) 2000-01 estimates in constant 1998-99 dollars	(C) Programme increases/ (decreases)		(D) Cost increases/(decreases)		(E) 2000-01	(F) % of total budget
	US$	US$	US$	%	US$	%	US$	%
Part I. Ordinary budget								
Policy-making organs	65,636,386	65,440,917	(195,469)	(0.30)	(283,307)	(0.43)	65,157,610	13.54
Strategic objectives	357,087,481	358,067,950	980,469	0.27	(739,775)	(0.21)	357,328,175	74.28
Technical programmes[1]	*148,279,658*	*149,387,855*	*1,108,197*	*0.75*	*(504,699)*	*(0.34)*	*148,883,156*	*30.95*
Regional programmes	*139,324,873*	*140,909,873*	*1,585,000*	*1.14*	*(410,956)*	*(0.29)*	*140,498,917*	*29.21*
Active partnership, technical cooperation and resource mobilization	3,180,261	3,180,261	0	0.00	(11,973)	(0.38)	3,168,288	0.66
Field programmes in Africa	39,615,698	40,450,698	835,000	2.11	337,618	0.83	40,788,316	8.48
Field programmes in the Americas	36,643,947	36,793,947	150,000	0.41	333,612	0.91	37,127,559	7.72
Field programmes in Arab States	7,985,753	8,085,753	100,000	1.25	172,179	2.13	8,257,932	1.72
Field programmes in Asia and the Pacific	39,420,668	39,820,668	400,000	1.01	(1,253,044)	(3.15)	38,567,624	8.02
Field programmes in Europe and Central Asia	12,478,546	12,578,546	100,000	0.80	10,652	0.08	12,589,198	2.62
Support activities[2]	*69,482,950*	*67,770,222*	*(1,712,728)*	*(2.46)*	*175,880*	*0.26*	*67,946,102*	*14.12*
Management services	40,931,367	40,931,367	0	0.00	(93,141)	(0.23)	40,838,226	8.49
Other budgetary provisions	20,636,500	20,636,500	0	0.00	304,771	1.48	20,941,271	4.35
Adjustment for staff turnover	(4,116,734)	(4,116,734)	0	0.00	26,452	(0.64)	(4,090,282)	(0.85)
Total Part I.	480,175,000	480,960,000	785,000	0.16	(785,000)	(0.16)	480,175,000	99.82
Part II. Unforeseen expenditure								
Unforeseen expenditure	875,000	875,000	—	—	—	—	875,000	0.18
Part III. Working Capital Fund								
Working Capital Fund	—	—	—	—	—	—	—	—
Total (Parts I-III)	481,050,000	481,835,000	785,000	0.16	(785,000)	(0.16)	481,050,000	100.00

[1] This item covers the functions described under: 50 (International labour standards and human rights), 60 (Employment and training), 65 (Enterprise and cooperative development), 75 (Turin Centre), 80 (Industrial relations and labour administration), 85 (Multinational enterprises), 90 (Working conditions and environment), 100 (Sectoral activities), 110 (Social security), 120 (Statistics), 125 (Development policies), 130 (International Institute for Labour Studies), 140 (Equality for women), 145 (Interdepartmental activities), 225 (Employers' activities), 230 (Workers' activities).

[2] This item covers the functions described under: 175 (Internal administration), 180 (Publications), 185 (Information technology and communications), 190 (ILO Library), 235 (Public information), 240 (International relations).

Other budgetary provisions

	Regular Budget (in US dollars)
Total 2000-01	**20,636,500**
Total 1998-99	**20,636,500**

OBP.1. The level of resources proposed for this item is the same in real terms as compared with the biennium 1998-99.

OBP.2. Programme descriptions for the biennium 2000-01 follow.

290. Other budgetary provisions

290.1. This programme includes the budgetary provisions for contributions to various ILO funds and United Nations common system and inter-agency bodies, as well as provisions which do not appropriately fall elsewhere in the Programme and Budget. The budget estimate is maintained at the same level in real terms as in the biennium 1998-99. Reductions in the ILO's contribution to the Joint Medical Service in Geneva, and a decrease in the estimated required contribution to the ILO Staff Pensions Fund have been offset by an increase in the provision for the ILO's contribution to the Staff Health Insurance Fund in respect of the insurance of retired officials, invalidity pensioners and survivors (spouses and orphans), by the reintroduction of a contribution to the Building and Accommodation Fund and by the establishment of a provision for an ILO crèche.

290.2. ***Loan annuities on the ILO building.*** Provision is made for the payment of two annuities of 3,702,290 Swiss francs in 2000 and 2001 (equivalent to $5,071,630 for the biennium) for the loan from the Swiss Property Foundation for the International Organisations (FIPOI) in connection with the ILO headquarters building.

290.3. ***ILO Staff Pensions Fund: Amortization of actuarial deficit.*** On the basis of the most recent actuarial valuation and while maintaining the ILO's commitment to ensure the payment of benefits under this fund, it has been possible to reduce in real terms the estimated regular budget contribution to an amount of $1.5 million for the biennium 2000-01.

290.4. ***Special Payments Fund.*** The purpose of this Fund is to make periodic ex gratia payments to former officials or their spouses in accordance with criteria approved by the Governing Body. The regular budget contribution to this Fund of 200,000 Swiss francs is maintained at the same level as in the previous biennium.

290.5. ***Staff Health Insurance Fund: Contribution for the insurance of retired officials.*** This provision, amounting to some $9.0 million, covers the ILO's contribution to the Staff Health Insurance Fund in respect of the insurance of retired officials, invalidity pensioners and survivors (spouses and orphans).The provision reflects an increase of some $150,000 in real terms, due to the expected increase in the number of retired officials.

290.6. ***Contribution to the Building and Accommodation Fund.*** The provision under this heading amounts to 365,000 Swiss francs.

290.7. ***Contribution to various United Nations common system bodies and inter-agency committees.*** The contributions to various United Nations common system bodies and inter-agency committees are as follows:

- Joint Inspection Unit ($405,000)
- Consultative Committee on Administrative Questions ($98,200)
- Consultative Committee on Programme and Operational Questions ($42,290)
- International Civil Service Commission ($636,000)
- Information Systems Coordination Committee ($80,000)
- Office of the United Nations Security Coordinator ($70,000)
- Joint Medical Service ($1,058,000)
- The total provision of some $2.4 million covers the ILO contributions to these UN common system entities.

290.8. ***External audit costs.*** The provision under this heading, amounting to $655,000, includes the cost of the audit of all the funds for which the Director-General has custody (regular budget, UNDP, trust funds, extra-budgetary accounts and all other special accounts). Expenses incurred as a result of participation by the ILO's auditors in the activities of the Panel of External Auditors of the United Nations and specialized agencies are also provided for.

290.9. ***Administrative Tribunal.*** The resources under this heading provide for the Registrar of the Administrative Tribunal, part of the costs of the full-time Assistant Registrar and some clerical assistance, a small mission credit and the translation of case material. As in previous biennia, the remaining costs of the Assistant Registrar, the costs of further translation work, of maintaining a computer database of the Tribunal's case law and of clerical assistance and the judges' fees and travel expenses are shared with the other organizations which have accepted the Tribunal's jurisdiction. A separate paper will be submitted to the Programme, Financial and Administrative Committee at its March 1999 session on possible changes in the methodology for sharing these costs. Pending a decision by the Committee and agreement with other organizations, this provision has been maintained at the same level as in the previous biennium.

290.10. ***Staff representation.*** Article 10.1 of the Staff Regulations accords time off to members of the Staff Union Committee for the purpose of representing the staff of the Office on questions of conditions of work and terms of employment. As in previous biennia, a provision of 4/00 Professional and 1/00 General Service work-years is proposed to finance partially replacements in those units in which members of the Staff Union Committee normally work. A further 2/00 General Service work-years provides for a secretary for the Staff Union.

290.11. ***International School of Geneva.*** The contribution to the International School of Geneva amounts to some 88,400 Swiss francs.

290.12. ***Contribution to the ILO crèche.*** A subsidy of some $185,000 has provisionally been included for the running costs of the ILO crèche; a facility located on the ILO premises available for the use of both ILO staff members and delegates to ILO meetings. This subsidy is subject to a decision on the creation of a crèche. A separate paper will be submitted to the Programme, Financial and Administrative Committee of the Governing Body at its March 1999 session concerning the establishment and operation of the crèche.

290.13. ***Unpaid liabilities.*** The amount of $2,000 provides for the payment in 2000-01 of such transactions in respect of previous years as would not be appropriate to pay from any other item of the budget. This provision is required by article 17 of the Financial Regulations.

Part II. Unforeseen expenditure

1. Provision is made under this item for unforeseen and extraordinary expenses, i.e. those which may arise when, as a result of Governing Body decisions taken after the adoption of the budget, or for any other reason, an approved budget credit is no longer sufficient for the purpose envisaged; or when the Governing Body approves an item of work or an activity for which no provision has been made in the budget.

2. In accordance with article 15 of the Financial Regulations, no part of the resources provided under this item may be used for any other purpose without the specific prior authorization of the Governing Body.

3. The total supplementary expenditure authorizations approved by the Governing Body in respect of recent financial periods have been as follows:

Financial period	*US dollars*
1990-91	8,804,500
1992-93	2,325,000
1994-95	1,378,500
1996-97	438,900

4. Normally, these authorizations have provided in the first instance for financing to the extent possible out of budgetary savings; failing this, out of the credit under this item; and after exhaustion of this credit, by a withdrawal from the Working Capital Fund.

5. The Governing Body at its 221st (November 1982) Session supported the Director-General's proposal that the provision under this item should be set at a more realistic level. However, in the current climate of financial constraints, it has not been possible to increase the level of this provision. Accordingly, the Director-General, while conscious of the need to maintain this provision in reasonable proportion to the size of the budget, proposes to keep it at the 1998-99 level, i.e. $875,000.

Part III. Working Capital Fund

1. The Working Capital Fund is established for the following purposes, as defined in article 19(1) of the Financial Regulations:

(a) to finance budgetary expenditure pending receipt of contributions or other income; and

(b) in exceptional circumstances and subject to prior authorization of the Governing Body, to provide advances to meet contingencies and emergencies.

Level of the Working Capital Fund

2. The level of the Working Capital Fund was set at 35 million Swiss francs on 1 January 1993 by the International Labour Conference at its 80th (1993) Session.

Refund of withdrawals

3. Under the present provisions of article 21.2 of the Financial Regulations, any excess of budgetary expenditure over budgetary income for the 1998-99 biennium would be financed by a withdrawal from the Working Capital Fund. Provision for reimbursement of this withdrawal would be made under this part of the budget for assessment on member States in 2001.

4. However, the Conference at its 82nd (1995) Session decided that article 21.2 of the Financial Regulations be the subject of a derogation to allow for the introduction, on a trial basis for the 1994-95, 1996-97 and 1998-99 financial periods, of a system whereby a withdrawal from the Working Capital Fund to finance a cash deficit directly attributable to income shortfalls would be reimbursed in the following biennium or biennia from arrears of contributions received. The provisions of article 21.2 described in paragraph 296.3 above would apply only to that portion of a cash deficit which was attributable to an overspending of the expenditure budget on account of additional expenditure items authorized by the Governing Body. It is therefore expected that no provision will be necessary under this part in 2000-01.

Information Annex No. 1

Schedule of established posts

This Schedule shows the number and category of established posts under the regular budget adopted for 1998-99 as well as those posts which the Governing Body has established from time to time under other sources of funds.

In accordance with the decision taken by the Governing Body at its 241st (November 1988) Session on the budgetary posts system, full information on the use of these posts for established officials will be provided by major programme and by grade as a standard appendix to the annual document on the composition and structure of the staff submitted to the Programme, Financial and Administrative Committee at the Governing Body's March sessions.

	Number of posts
Posts established under the regular budget:	
Director-General	1
Deputy Directors-General	3
Assistant Directors-General	8
Legal Adviser	1
Posts at the D2 level	16
Posts at the D1 level	45
Posts at the Professional level	543
Posts at the General Service level	637
	1 254[1]
Posts established under other sources of funds:	
Programme support income:	
Posts at the Professional level	17
Posts at the General Service level	22
	39
International Social Security Association:	
Posts at the Professional level and above	9
Posts at the General Service level	8
	17
International Institute for Labour Studies:	
Posts at the Professional level and above	7
Posts at the General Service level	9
	16
CINTERFOR:	
Posts at the Professional level and above	2
Posts at the General Service level	5
	7
World Food Programme:	
Posts at the Professional level	1
Posts at the General Service level	1
	2
ILO-ITU Health Insurance Fund:	
Posts at the General Service level	1

[1] Of which 166 Professional and above, and 62 General Service posts are frozen.

Information Annex No. 2

Details of cost increases

1. This Information Annex provides information on the cost increases which have been included in the budget and which are calculated either on the basis of the object of expenditure, or on the basis of an analysis of a particular activity.

Inter-agency coordination regarding calculation of cost increases in Geneva-based portions of the budget

2. For a number of biennia, the ILO has used assumptions agreed upon in common with other organizations of the United Nations system having headquarters or major offices in Geneva as a basis for the calculation of cost increases in the Geneva-based portion of its budget.

3. In continuing this established practice, endorsed by ACC, representatives of these organizations held a meeting in September 1998 to consider rates of exchange and inflation to be assumed for Switzerland in their proposed budgets covering 1999 or 2000-01. The conclusions of the meeting were as follows:

US dollar – Swiss franc exchange rate

4. The rate of exchange assumed for budgetary purposes between the United States dollar and the Swiss franc was of particular importance for organizations whose budgets were denominated in dollars and whose expenditures were incurred to a significant extent in Swiss francs. However, the rate also had importance for organizations whose budgets were denominated in Swiss francs, since it affected the Swiss-franc equivalent of estimates for dollar income and expenditure, such as expected receipts of support-cost income in dollars from extra-budgetary sources, requirements for activities in which costs were incurred in dollars, and contributions to the United Nations Joint Staff Pension Fund, which were calculated in dollars.

5. As was the case in previous meetings, participants recognized that market conditions made it impossible for organizations to predict the evolution of exchange rates, especially for periods as long as the one extending from the time of preparation of proposed budgets up to the end of the financial period that they covered. The latest actual rate was therefore normally taken as a basis in drawing up budget estimates. Since governing bodies considered proposed budgets at different times and the timing of their reviews determined the dates at which the estimates had to be established, no common cut-off date, and hence no common rate, could be contemplated. Individual organizations could, however, adopt the last United Nations operational rate of exchange that was known at the time of the completion of its proposed budget. Adjusted estimates could subsequently be presented at the time of governing bodies' reviews where this was judged to be appropriate by the Executive Head concerned.

Rates of inflation in Switzerland and other cost increases

6. The other cost changes for which it was necessary to make provision in proposed budgets included both the expected effects of inflation and "statutory" changes resulting from upgradings and downgradings of posts, recruitments and promotions, annual salary increments, etc. It was for each organization to make allowance for these latter factors in the light of its own experience and trends; consequently, it was difficult to encourage uniform rates in this area. On the other hand, a common set of assumptions could be agreed upon with regard to the evolution of economic factors in Switzerland in the period considered. However, since for a variety of reasons the estimates for the *preceding* period embodied different assumptions on cost levels, each organization would need to decide on the adjustments required in its 1998 and 1999 estimates in order to provide an adequate cost base in budgeting for the economic conditions jointly assumed for 2000 and 2001. Elements that could involve changes in cost levels but depended on decisions still to be taken by governing bodies might need to be included in proposed budgets, but, in that case, would be specially identified as conditional items.

7. The official Swiss consumer price index had shown an average increase of 0.5 per cent in 1997, the average Geneva index having increased slightly more (by 0.7 per cent). The projected average for 1998, assuming that the variation in the period from September to December would be the same as in August, was 0.1 per cent (as against a projected average of 1.0 per cent for Geneva). Participants discussed forecasts made by various sources and also the possible impact of a strong euro on the cost of imports to Switzerland. In conclusion, the meeting agreed that a 1.3 per cent inflation rate should be used for 1999, 2000 and 2001. However, it was understood that the general rates of inflation to be used by individual organizations in their budget estimates would be subject, as were budgetary rates of exchange, to the dates of preparation and review of their budget proposals. In view of the evolution of the inflation rate, organizations would need to take account of any new developments or revised predictions made up to those dates.

8. Consideration was then given separately, for each of the organizations' major items of expenditure, to the cost increases that might be expected in 1999, 2000 and 2001, and to those increases which had actually taken place in 1997 and were expected in 1998. In this

consideration account was taken of available official statistics, statements of competent authorities, the views of reputable economic analysts and information gathered from professional associations and other appropriate sources. It was noted that in some cases these data suggested rates of inflation for individual types of expenditure which differed from the overall rate assumed. The agreements reached are set out below, subject to review by individual organizations on the basis of any further information that may become available at a later stage.

(a) Staff costs for the Professional and higher categories in Geneva

Even assuming a 1.3 per cent annual inflation rate for Geneva, there would be no increase in the cost of Professional salaries. ICSC has decided to recommend to the General Assembly, effective 1 March 1999, a consolidation of 2.48 per cent of post adjustment on a "no gain no loss" basis. Given the existing 8 point gap between the post adjustment index and the multiplier, it is very unlikely that there will be any change to the Geneva post adjustment multiplier in the next few years.

(b) Staff costs for the General Service category in Geneva

A comprehensive salary survey was carried out in 1995. This indicated that existing pay scales were some 7.1 per cent higher than in the local market. The new salary scale is adjusted every year for inflation but the old salary scale is still some 5.6 per cent higher than the new scale and it would be several years before inflation closed the gap. The next comprehensive General Service salary survey is scheduled to start in 2000. It is unlikely that there will be any significant increase in General Service staff costs in the forthcoming budget period.

(c) Contributions to the United Nations Joint Staff Pension Fund

The total rate of contribution to the United Nations Joint Staff Pension Fund, corresponding to 23.7 per cent of pensionable remuneration, was not scheduled for revision at present. The two-thirds share financed by member organizations would therefore remain at 15.8 per cent of pensionable remuneration in 1999. If the actuarial evaluation of the Pension Fund in 2000 shows a surplus there might be a discussion in the Pension Board meeting regarding a possible reduction from the 23.7 per cent rate of contribution. At the same time, it was noted that the rate of staff assessment is likely to decrease rather than increase.

For staff in the *Professional and higher categories*, increases in the New York pensionable remuneration of 1.8 per cent had been announced for November 1998. This figure was subsequently revised to 2.3 per cent which would produce a similar increase in the level of pensionable remuneration and thus in the cost of organizations' pension contributions. This would affect the pension costs for Geneva-based staff notwithstanding the absence of any increase in post adjustment. Similar increases might be anticipated for 1999, 2000 and 2001.

For staff in the *General Service category*, pensionable remuneration was the dollar equivalent of the sum of the local gross salary, any language allowance and any non-resident's allowance payable. Although the local gross salary may in practice be frozen for the next few years, any changes in the dollar-Swiss franc rates of exchange would impact the dollar costs of organizations' contributions.

(d) Other common staff costs

ICSC is recommending an increase of 6 per cent in the maximum admissible education grant for Switzerland. There will also be some changes in the termination scale and the mobility and hardship allowance but with minimal impact on Geneva staff costs. No major increases in dependency or language allowances for the *General Service category* are foreseen in the period 2000-01.

(e) Travel and transport and air freight

It was agreed that non-European air fares might increase at a 2 per cent annual rate whereas air fares inside Europe and air freight would reflect the inflation rate assumption in paragraph 7 above.

(f) Contractual services

Contractual printing and binding – Leaving aside the factor of paper cost, it is expected that increases for printing and binding *services* will be at the general rate of inflation. In cases where the orders are placed in other countries than Switzerland different annual rates of increase need to be foreseen.

Other contractual services (including contractual maintenance of premises and equipment) – Costs of other contractual services including contractual maintenance of premises and equipment are expected to increase at the annual rate of inflation assumed above.

(g) General operating expenses

Fuel oil – It was difficult to estimate an increase since price variations are dependant upon the prevailing political/economic world situation but it was agreed that assumption of inflation at the rate assumed above was appropriate at this time. It was agreed that organizations should take into account the latest price levels in effect at the time of the completion of their proposed budgets.

Other utilities – It was estimated that water will increase by 10 per cent per year in 1999 and 2000. For electricity, it was anticipated that prices will not increase over the budget period.

Communications (telephone, facsimile services, pouch services, postage) – Communications costs in Switzerland are currently stable and increases beyond the general rate of inflation are not expected.

(h) Supplies and materials

Paper and printing supplies – In a cyclical market, it appeared that there was an upward trend at this time and prices were assumed to increase at slightly more than the general rate of inflation.

Other supplies and materials – The cost of other supplies was expected to increase at around the general rate of inflation.

(i) Acquisition of furniture and equipment

The steady price decreases for office automation equipment (hardware and software) during 1997 and 1998 were expected to continue. However, the necessity to replace the old equipment by more sophisticated equipment, which is more expensive, and the purchase of new software packages, were expected to completely offset the anticipated savings. For furniture and other equipment, average increases were forecast to be at the same level as the general rate of inflation.

9. In the ILO's programme and budget proposals, unless otherwise disclosed, these commonly agreed assumptions have been used to calculate cost increases in 2000-01 as regards expenditure to be incurred in Switzerland. For duty stations outside Switzerland, cost increases have been calculated on the basis of detailed analyses of price and salary movements at each duty station since these may vary widely from region to region and within each region.

Details of cost increases by object of expenditure

10. Cost increases are applied to the budget either on the basis of the object of expenditure, or on the basis of an analysis of particular activities. While details of the cost increases applied for 2000-01 are given in the following paragraphs, it should be noted that in some cases, it has also been necessary to adjust for price movements in 1997 and 1998 which differ from those provided in the 1998-99 programme and budget. In general, these adjustments have arisen due to actual cost increases being less than those anticipated in the 1998-99 programme and budget, particularly for post adjustment and related benefits for Professional category staff and for General Service salary movements. These adjustments result in a reduction of some $12 million from the total required for cost increases in 2000-01.

Staff costs

Staff calculated at standard cost

11. The increases in the standard costs are explained in paragraphs 33 to 53 below.

Interpreters, committee secretaries and short-term conference staff

12. In line with the general inflation assumptions for staff in Geneva, no increases have been provided.

Locally recruited staff

13. Cost increases applicable to locally recruited staff in field duty stations are discussed in paragraph 32 below.

Travel on official business

14. No increases have been provided for the cost of air tickets after taking account of competitive pricing available in most markets.

Contractual services

External collaboration

15. In general the cost of external collaboration contracts should evolve in relation to the cost of Professional staff. Therefore, with the exception of contracts for translation services, which are subject to a separate agreement, no cost increases have been foreseen for external collaboration.

External printing and binding

16. The forecasted increases agreed between the Geneva-based agencies will be absorbed in the current biennium.

General operating expenses

17. The range of items under this object of expenditure is so varied that any significant cost increases provided for are mentioned below under the programme concerned, in particular for those provisions under Internal administration (paragraphs 27 to 29).

Supplies, materials, furniture and equipment

18. The amounts provided under this category of expenditure in constant dollars are considered sufficient to absorb the estimate of cost increases as agreed between the Geneva-based agencies.

Other expenditure

19. This is composed of joint administrative activities within the United Nations system, e.g. CCAQ, UN Joint Inspection Unit. The budget estimates for these bodies have been used as a basis where available, with cost increases being based on the general rate of assumed inflation in the location of the various bodies (1.3 per cent for Geneva and 3.0 per cent for New York). Forecast increases in pensionable remuneration of retirees of some 2 per cent per annum have been applied to the provision for the ILO contribution to the Staff Health Insurance Fund for retirees.

Regular Budget Technical Co-operation (RBTC)

20. In view of the minimal inflation in dollar terms forecast for the regions, no cost increases have been provided for resources budgeted for RBTC field projects.

Details of cost increases by programme

21. For certain programmes involving specific types of expenditure, it would not have been realistic to use the average rates of increase indicated above. In such cases, cost increases are based on an appraisal of the particular conditions applying to each case. Details of these increases, and of other cost increases which are considered sufficiently important to be mentioned separately, are given below.

Governing Body

22. An over budgeting of travel related expenditure in the 1998-99 biennium amounting to some $40,000 has been taken into account.

General management

23. At the request of the Officers of the Governing Body, the representation allowance of the Director-General is increased to 120,000 Swiss francs per annum in order to enhance his capacity for external communications and out-reach. This allowance has not been increased since 1975.

International standards and human rights

24. No increase has been foreseen in the honoraria paid to members of the Committee of Experts on the Application of Conventions and Recommendations.

Turin Centre

25. The cost increases provided take into account inflation in Italy which has been estimated, in dollar terms, at 2 per cent per annum.

International Institute for Labour Studies

26. The ILO's contribution to the Institute is normally adjusted to take into account the anticipated movement in the average standard costs for Professional and General Service staff. Consequently, no increase has been provided this biennium.

Internal administration

27. The main non-staff items under this programme are: building running expenses (water, electricity, heating oil and maintenance, cleaning contracts); purchases of equipment, supplies and materials; telecommunications, postage and pouch expenses; and rental and maintenance of furniture, equipment and vehicles.

Building running expenses

28. The rates agreed upon between the Geneva-based agencies, have been applied to this category of expenditure.

Telecommunications, postage and pouch expenses

29. Due to the increased competition in these sectors and new agreements that have been negotiated by the Office, no increase has been considered necessary.

ILO Library

30. The costs of serials and periodicals continue to rise at an alarming rate. While every effort has been made to absorb these increases over recent biennia, a provision of some 9 per cent per annum has been required.

Cost increases in the regions

International costs

31. Provision has been made for internationally recruited staff in the field on the basis of the standard costs described in paragraphs 33 to 53 below. The provisions for cost increases for RBTC are described in paragraph 20 above.

Local costs

32. Increases in local costs, including those for salaries and allowances of locally recruited staff, are calculated individually for each of the ILO's offices outside Geneva. The latest 1998 costs are increased for estimated inflation in 1999, 2000 and 2001, and take account of the effect of adjustments in the rate of exchange between the local currency, and the US dollar and the Swiss franc (where for budgeting purposes the local currency is assimilated to the Swiss franc). The Asia and Pacific region has been the most affected in this regard due to the devaluation of certain currencies against the US dollar. The average annual rate for each region, in dollar terms, is as follows:

	Percentage increase per annum
Africa	1.5
The Americas	1.1
Arab States	3.0
Asia and the Pacific	(2.5)
Europe	0.3

Standard costs

33. Separate standard costs are used for Professional and General Service category staff in Geneva. They do not cover staff in grades D2 and above.

34. The standard costs are composed of a number of elements, the cost of which can vary from one biennium to another with changes in the cost of living, conditions of service, places of recruitment and assignment of staff, etc. The 2000-01 standard costs are essentially a projection of actual costs in 1998 with appropriate allowances for expected trends of inflation, changes in staff entitlements, and the impact of the mobility policy.

35. The compositions of the standard costs, with comparative figures for 1998-99, are given below. The Professional category standard cost is based on an exchange rate of 1.46 Swiss francs to the US dollar.

The General Service category standard cost is expressed in Swiss francs.

	1998-99 budget in US$ at a rate of 1.46 SFr	2000-01 budget in US$ at a rate of 1.46 SFr
Professional category		
Basic salaries	67 562	69 260
Post adjustment	36 365	30 950
Dependency allowances	1 920	1 935
ILO contribution to Pension Fund	19 490	19 760
ILO contributions to Staff Health Insurance Fund and other staff insurance	3 135	3 110
Education grants and scholastic travel	5 290	5 940
Travel and removal expenses incurred on appointment, home leave, transfer, etc.	5 705	6 030
Allowances paid on appointment and relocation	6 465	7 565
Terminal payments	2 400	2 450
	148 332	***147 000***

	1998-99 budget (in Swiss francs)	2000-01 budget (in Swiss francs)
General Service category		
Basic salaries	97 741	97 138
Dependency allowances	5 655	5 575
ILO contribution to Pension Fund	20 570	20 235
ILO contributions to Staff Health Insurance Fund and other staff insurances	3 065	3 045
Education grants and scholastic travel	1 020	1 325
Travel and removal expenses incurred on appointment, home leave, transfer, etc.	640	615
Allowances paid on appointment and relocation	330	350
Terminal payments	1 275	1 190
	130 296	***129 473***
	S89 244	***S88 680***
	at 1.46 SFr to 1 US$	at 1.46 SFr to 1 US$

36. As the budget proposals are presented in constant 1998-99 dollars, the standard costs per work-year used in the estimates in the budget tables are those for 1998-99, i.e. $148,332 for the Professional category and $89,244 for the General Service category. The standard costs given above for 2000-01 ($147,000 per Professional work-year and $88,680 per General Service work-year) have been used in calculating the total expenditure budget including cost increases. When the budget has been adopted by the Conference, the final standard costs, taking account of the budget rate of exchange, will be used for costing the individual budget tables. An explanation of the method of calculating the standard costs follows.

Professional category

Basic salaries

37. The estimate represents net basic salaries, i.e. gross salaries less staff assessment. Using the current actual average base salaries as a base, allowance has been made for increases in salaries due to the net effect of such factors as annual increments payable in accordance with the Staff Regulations, regradings, retirements, new appointments, etc. and includes a provision for the commutation of accrued leave at the end of service. The increase in the base/floor salary scale of 2.48 per cent effective March 1999, as approved by the United Nations General Assembly has been included. Although further consolidations of post adjustment into net basic salary at an average rate of 4 per cent per year in 2000 and 2001 have been assumed for the calculation of those elements which are based on the base/floor salary scale alone (mobility, hardship and terminal payments), they have not been applied in the calculation of basic salary in order to preserve as far as possible comparability with the 1998-99 cost of this category. Since such consolidations increase basic salary while at the same time decreasing post adjustment on the no gain/no loss principle, the net combined effect on these two categories of the standard cost would be nil.

Post adjustment

38. The significant decrease in this category results from a decline in the average post adjustment multiplier applied to external offices. The multiplier is established by the ICSC on the basis of periodic cost-of-living surveys and monthly movements in exchange rates. Estimates of post adjustment also take account of the consolidation of post adjustment into basic salary described above. In line with the assumptions made by the inter-agency meeting which was held in Geneva in September 1998, no increases in post adjustment have been provided for in respect of staff based in Switzerland. A provision of 3 per cent per annum has been provided for officials serving in field duty stations.

Dependency allowances

39. The provision for dependency allowances takes account of the decision of the recently concluded United Nations General Assembly to increase the children's and secondary dependent's allowances by 14.6 per cent effective 1 January 1999 but is largely offset by an overbudgeting in 1998-99.

ILO contribution to pension fund

40. This category covers the cost of the ILO contribution (15.8 per cent of pensionable remuneration) to the

United Nations Joint Staff Pension Fund (UNJSPF). The actual increase in the scale of pensionable remuneration of 2.73 per cent in November 1998 has been taken into account. Provision has been made for increases in the scale in 1999, 2000 and 2001 based on estimates of salary inflation in the base duty station, New York.

ILO contributions to the Staff Health Insurance Fund and other staff insurance

41. This category is linked to basic salary, post adjustment, dependency allowances and mobility hardship and non-removal allowances, and thus the estimate changes in accordance with movements in the cost of these elements. The ILO contribution to the Staff Health Insurance Fund is maintained at the rate of 2.8 per cent.

Education grants and scholastic travel

42. Account has been taken of the increase in the ceiling amount for education grants (ranging from 6 per cent in Geneva to 11 per cent in the United States) approved at the recently concluded session of the United Nations General Assembly, and provision has been made for increases in fees charged by educational institutions in accordance with general inflation estimates.

Travel and removal expenses incurred on appointment, home leave, transfer, etc.

43. This category includes travel on appointment, transfer, separation and family visit, and removal of household goods and transportation of personal effects. The small increase in this category is essentially due to the continuing implementation of the mobility policy.

Allowances paid on appointment and relocation

44. This category includes assignment grant, mobility allowance, hardship allowance, non-removal allowance, rental subsidy and per diem allowance for short-term staff. The impact of the staff mobility policy results in this category of costs continuing to rise at a relatively higher rate than other categories. Account has been taken of the effect on the mobility and hardship allowances of expected increases in the base/floor salary scale arising from the consolidation of post adjustment in 1999, 2000 and 2001 as noted in paragraph 37 above.

Terminal payments

45. This category consists of a contribution to a Terminal Benefits Fund of 3.5 per cent of the basic salary for eligible officials. The small increase results from the effect of increases in the base/floor salary scale, including the consolidation of post adjustment into basic salary described in paragraph 37 above, partially offset by the elimination of the alternative repatriation grant provisions for eligible terminating officials who entered service before 1 January 1964.

General Service category

Basic salaries

46. The decrease in basic salary is due to the continued freezing of salaries following the ICSC salary survey in 1995 and a slight over provision for the impact of statutory increases during the period 1997 to 1999. Provision has been made for the net effect of factors such as annual increments payable in accordance with the Staff Regulations, regradings, retirements, new appointments, etc. No provision has been made for inflation as agreed at the Geneva inter-agency meeting.

Dependency allowances

47. Dependency allowances change as a function of basic salary and local conditions with respect to social benefits. Provisions made for cost increases to this category between 1997 and 1999 have not materialized and therefore a small reduction has been possible.

ILO contribution to Pension Fund

48. This category covers the cost of the ILO contribution to the United Nations Joint Staff Pension Fund (UNJSPF). The decrease results from the application of new scales of pensionable remuneration for new staff and the impact of the reduced base salary described above.

ILO contributions to Staff Health Insurance Fund and other staff insurance

49. This category is linked to basic salaries, dependency allowances, mobility hardship and non-removal allowances, and accordingly reflects the net impact of movements in these elements. The ILO contribution to the Staff Health Insurance Fund is maintained at the rate of 2.8 per cent.

Education grants and scholastic travel

50. Account has been taken of the increase in education costs approved by the recently concluded session of the United Nations General Assembly and an under budgeting of this category in the current biennium. Provision for increases in fees charged by education institutions has been made in accordance with the general rate of inflation agreed at the Geneva inter-agency meeting.

Travel and removal expenses incurred on appointment, home leave, transfer, etc.

51. This category includes travel on appointment, transfer, separation and family visit, and removal of household goods and transportation of personal effects. The continuing reduction in the number of non-locally recruited General Service staff through natural attrition is responsible for this decline.

Allowances paid on appointment and relocation

52. This category includes assignment grant, mobility allowance, hardship allowance, non-removal allowance and rental subsidy. The small increase results from an overly optimistic reduction in the 1998-99 provision for this category.

Terminal payments

53. This category comprises two factors, namely a contribution to a Terminal Benefits Fund of 3.5 per cent of the basic salary for eligible officials who entered service on or after 1 January 1964, and the estimated average cost of actual repatriation grant payments made to eligible term-

inating officials who entered service before 1 January 1964. The decrease exceeds the decrease in basic salaries due to the continuing decline in the number of eligible terminating staff.

Information Annex No. 3

Estimates of technical cooperation expenditure funded from extra-budgetary sources

By technical field	*Estimates for 2000-01*
Employment and training	39,496,000
Vocational rehabilitation	7,894,000
Enterprise and cooperative development	4,058,000
Entrepreneurship and management development	27,672,000
Hotels, catering and tourism	56,000
Cooperatives	22,600,000
Labour law and labour relations	3,966,000
Labour administration	4,954,000
Elimination of child labour	43,086,000
Occupational safety and health	4,210,000
Working conditions and migrant workers	908,000
Sectoral activities	2,360,000
Social security	3,764,000
Development policies	37,106,000
Equality for women	2,374,000
Employers' activities	3,334,000
Workers' activities	10,162,000
	218,000,000

By region	*Estimates for 2000-01*
Africa	86,897,000
Americas	25,719,200
Arab States	8,296,400
Asia and the Pacific	49,992,000
Europe and Central Asia	13,606,600
Interregional	33,488,800
	218,000,000

Information Annex No. 4

Schedule of meetings for the biennium 2000-01

A. Major advisory meetings

Major Regional Meetings

European Regional Meeting (Geneva)

Asian Regional Meeting (Bangkok)

Sectoral meetings

Agriculture, plantations and other rural sectors: Moving to sustainable agricultural development through the modernization of agriculture and employment in a globalized economy.

Basic metal production: Safety and health in the non-ferrous metals industries.

Construction: The construction industry in the twenty-first century: its image, employment prospects and skill requirements.

Education: Lifelong learning in the twenty-first century: the changing roles of educational personnel.

Financial and professional services: Employment impact of mergers and acquisitions in the banking and financial services sector.

Forestry, wood, pulp and paper: Social and labour dimensions of the forestry and wood industries on the move.

Hotel, tourism and catering: Human resources development, employment and globalization in the hotel, tourism and catering sector.

Media, culture and graphical: Information technologies in the media and entertainment industries: their impact on employment, working conditions and labour-management relations.

Textiles, clothing, leather and footwear: Labour practices in the textiles, clothing, leather and footwear industries.

Transport equipment manufacture: The social and labour impact of globalization in the manufacture of transport equipment.

Maritime, ports, fisheries and inland waterways: 29th Session of the Joint Maritime Commission (JMC).

Private and public services sectors: The impact of decentralization and privatization on municipal services.

B. Other meetings

Committee of Experts on the Application of Conventions and Recommendations (two meetings).

World Employment Forum.

Tripartite Meeting of Experts on the Management of Disability at the Workplace.

Meeting of Experts on Workers in Situations Needing Protection.

Meeting of Experts on Occupational Safety and Health Management Systems and Safety Culture.

18th Ordinary Session of the Intergovernmental Committee of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (the Rome Convention, 1961).

Joint ILO/UNESCO Committee of Experts on the Application of the Recommendation concerning the Status of Teachers (CEART).

Meeting of Experts on Labour Statistics: Comparison and Reconciliation of Employment and Unemployment Data from Different Sources.

International Symposium on the Development of a Workforce for Enterprise Competitiveness and Employment Generation.

International Symposium to Strengthen Workers' Participation in the United Nations System and Impact on Bretton Woods Institutions.

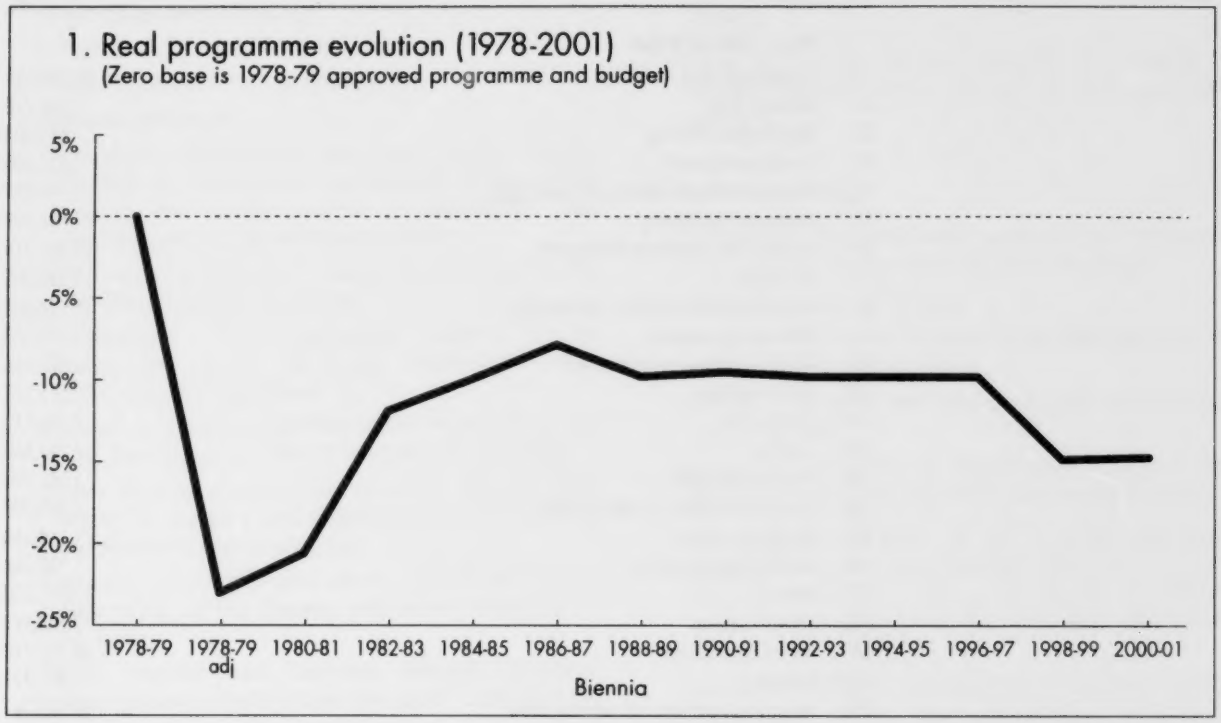
Information Annex No. 5

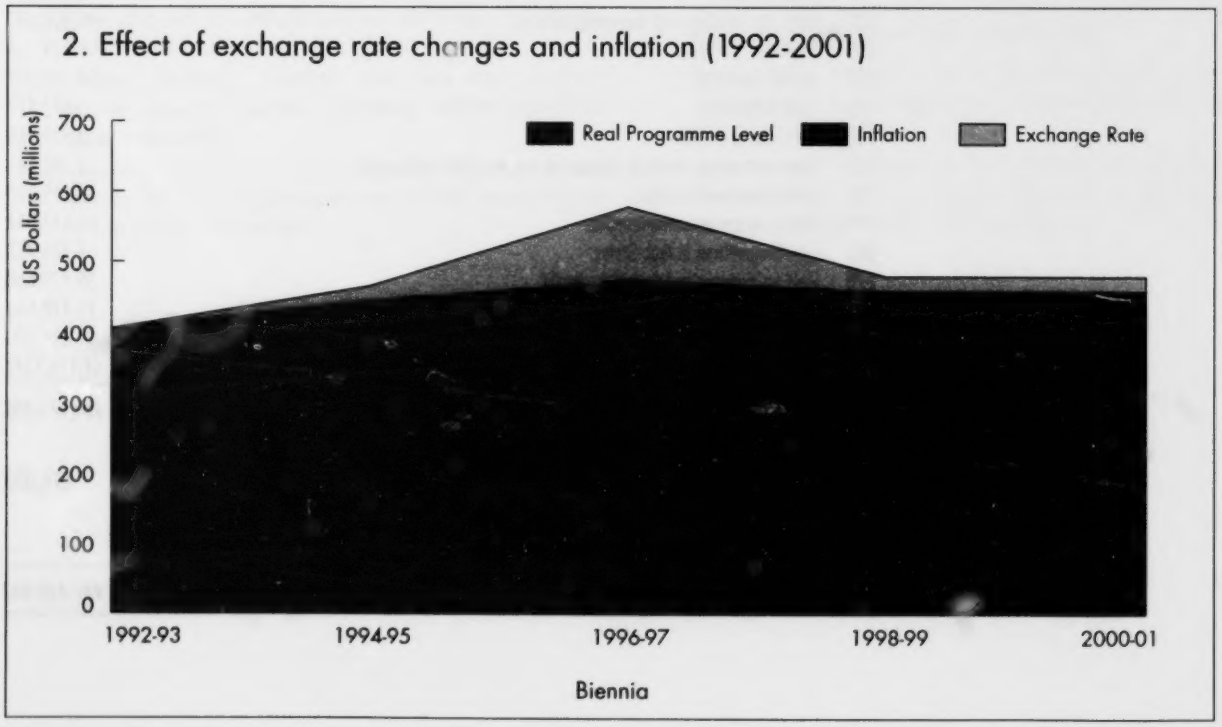
Expenditure budget for 1998-99
(in US dollars)

Item	Title	1998-99 Budget
	Part I – Ordinary budget	
10	International Labour Conference	10,330,131
20	Governing Body	2,261,778
30	Major Regional Meetings	810,804
40	General management	7,837,894
50	International labour standards and human rights	19,744,819
60	Employment and training	23,552,009
65	Enterprise and cooperative development	10,301,214
75	Turin Centre	5,130,000
80	Industrial relations and labour administration	11,628,845
85	Multinational enterprises	1,113,433
90	Working conditions and environment	16,570,956
100	Sectoral activities	11,771,118
110	Social security	7,494,110
120	Statistics	7,282,463
125	Development policies	6,561,962
130	International Institute for Labour Studies	5,079,930
140	Equality for women	1,118,250
145	Interdepartmental activities	1,330,263
160	Personnel	15,864,153
170	Financial services	12,103,599
175	Internal administration	34,253,210
180	Publications	5,970,321
185	Information technology and communications	12,503,261
190	ILO Library	7,744,363
200	Programming and management	5,125,721
210	Legal services	2,703,986
220	Relations, meetings and documents services	49,529,687
225	Employers' activities	5,127,634
230	Workers' activities	14,472,652
235	Public information	5,072,527
240	International relations	3,939,268
245	Active partnership, technical cooperation and resource mobilization	3,180,261
250	Field programmes in Africa	39,615,698
260	Field programmes in the Americas	36,643,947
265	Field programmes in Arab States	7,985,753
270	Field programmes in Asia and the Pacific	39,420,668
280	Field programmes in Europe and Central Asia	12,478,546
290	Other budgetary provisions	20,636,500
	Adjustment for staff turnover	(4,116,734)
	Total Part I	***480,175,000***
	Part II – Unforeseen expenditure	
295	Unforeseen expenditure	875,000
	Part III – Working Capital Fund	
296	Working Capital Fund	–
	Total (Parts I-III)	***481,050,000***

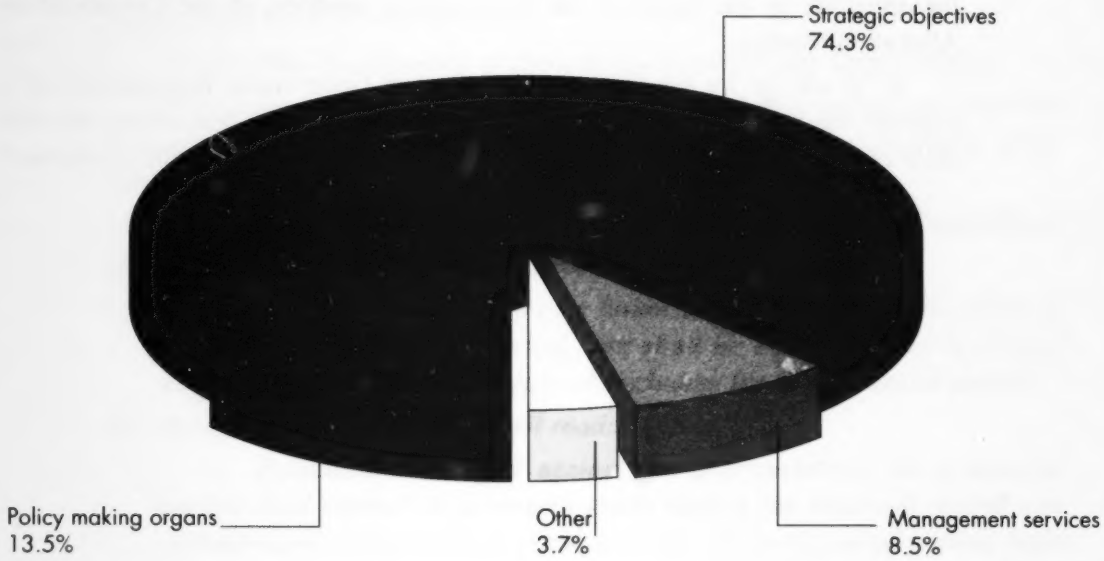
Information Annex No. 6

Illustrative charts concerning proposed resource levels

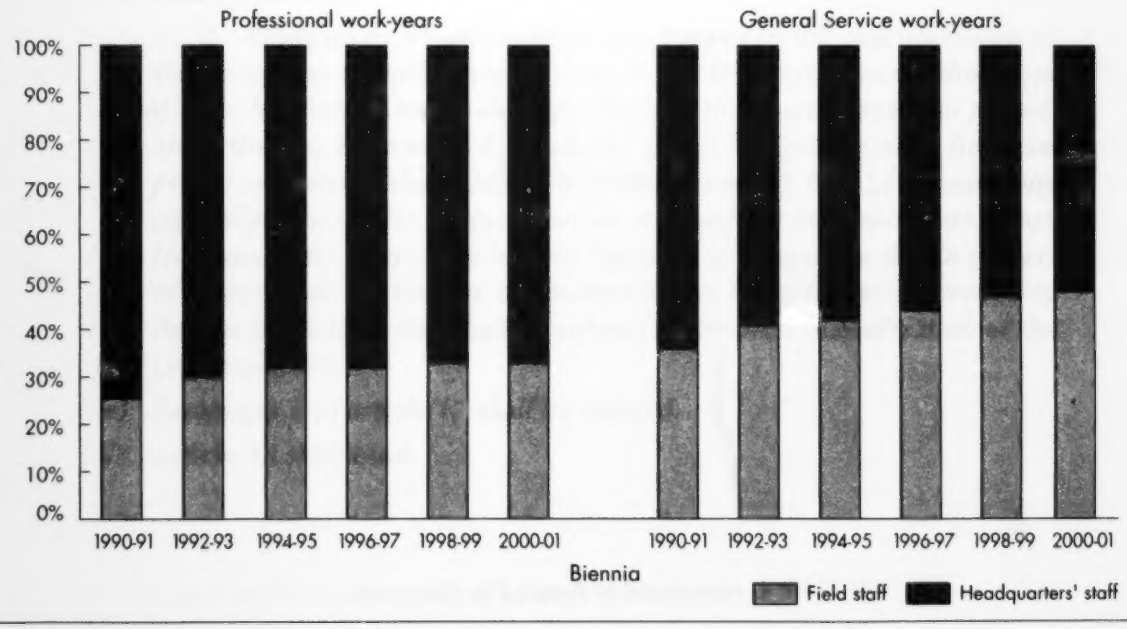




3. Resource distribution 2000-01
(Regular budget - Recosted)



4. Distribution of staff resources - Headquarters and field.
Regular budget



Other financial and administrative questions

Scales of assessment of contributions to the budget for the 2000-01 financial period

1. At its 274th Session (March 1999), the Governing Body decided, on the recommendation of the Government members of the Programme, Financial and Administrative Committee, to propose to the Conference at its 87th Session (June 1999) that it adopt the draft scale of assessments for 2000 as set out in column 3 of the appendix to the report of the Government members of the Committee on Allocation Matters. [2]

2. It will be for the Finance Committee of Government Representatives to consider the proposals put forward by the Governing Body concerning the draft scale of assessments for 2000 and to make appropriate proposals to the Conference.

[2] GB.274/9/4, reproduced as Annex 2 to this report.

Proposed amendments to the Financial Regulations

1. At its 274th Session (March 1999), the Programme, Financial and Administrative Committee considered a paper [3] on proposed amendments to the Financial Regulations required for the introduction of accrual accounting in the ILO in order to comply with the common accounting standards of the United Nations system.

2. During the same session, the Governing Body decided to endorse the Committee's proposal and to recommend to the Conference that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to enable the Organization to follow the common accounting standards of the United Nations system;

Decides to make the following amendments to the Financial Regulations:

(a) Paragraph 5 of article 10 shall read:

5. All contributions due in a financial period shall be recorded as income in that financial period, and shall be accounted for in United States dollars at the budget rate of exchange for that financial period.

(b) Paragraph 1 of article 17 shall read:

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and unliquidated obligations as at the last day of the financial period. Such portion of appropriations as may be required to meet these unliquidated obligations shall remain available for 12 months at the end of which any remaining balances shall be credited to miscellaneous income.

(c) The present paragraph 2 of article 17 shall be deleted.

(d) The present paragraph 3 of article 17 shall be renumbered as paragraph 2 and shall read:

2. Obligations which could not be charged to the appropriations of the preceding financial period may, if the Director-General should so decide, be charged to the appropriations of the current financial period. Nevertheless, there shall be included in the budget for each financial period an item entitled "Unpaid liabilities" to which may be charged any payments of a similar character which it would not be appropriate to pay from any other item of the budget. Payment of obligations due in respect of transactions covered by the budget of any financial period preceding the last financial period shall be subject to the prior authorization of the Governing Body.

(e) Paragraph 4 of article 17 shall be deleted.

(f) Article 18 shall read:

[3] GB.274/PFA/7, reproduced as Annex 3 to this report.

1. The excess or shortfall of income over expenditure in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the date of the financial statements at the end of the financial period.

2. Any such excess of income over expenditure, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so, their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Composition of the Administrative Tribunal of the International Labour Organization

At its 274th Session (March 1999), the Governing Body decided, on the recommendation of its Programme, Financial and Administrative Committee,[4] to propose to the International Labour Conference at its 87th Session (June 1999) that it approve changes in the composition of the Administrative Tribunal of the International Labour Organization and in the terms of office of one of its judges and that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the term of office of Ms. Mella Carroll (Ireland) for a period of three years;

Expresses its appreciation to Mr. Mark Fernando for the services which he has rendered to the work of the Administrative Tribunal of the International Labour Organization over the last seven years;

Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to appoint as judge of the Administrative Tribunal, for a term of three years with effect from July 1999, Ms. Justice Ruma Pal (India).

[4] GB.274/PFA/14/2, reproduced as Annex 4 to this report.

Annex 1

Third report of the Programme, Financial and Administrative Committee of the Governing Body at its 274th Session (March 1999) (GB.274/9/3(Rev.1))

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.274/9/3(Rev.1)
274th Session

Geneva, March 1999

NINTH ITEM ON THE AGENDA

Reports of the Programme, Financial and Administrative Committee

Third report

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 8, 10, 11 and 18 March 1999 under the chairmanship of Mr. N. Akao, Chairperson of the Governing Body. Mr. Marshall (Employer spokesperson) was the Reporter.

Programme and Budget proposals for 2000-01
(Ninth item on the agenda)

2. The Committee had before it the Director-General's Programme and Budget proposals for 2000-01.[1] Volume 1 of the proposals comprised an executive introduction by the Director-General; the strategic programme and budget, which included a number of information tables and graphs; and a draft budget of expenditure and income for 2000-01. Volume 2 comprised summary tables giving the proposed expenditure budget by appropriation line, also regular budget estimates and analysis by increases and decreases; programme descriptions and estimates by major programme; and a number of information annexes.

3. The Committee's discussion was opened by the Director-General, who introduced his proposals. His statement is reproduced in Appendix I.

4. After a recess, the Committee began its discussion of the programme and budget proposals.

General discussion of the programme and budget proposals

5. Mr. Marshall, speaking on behalf of the Employer members, offered congratulations to the Director-General and to his staff on this first strategic budget presentation. Producing such a document required a very different way of thinking. Indeed, it was not simply a budget, but a framework from which new organizational structures and operational procedures would evolve. A budget of this type was part of a continuous process, not a static document locked in for rigid application over the full two years of the biennium. Quite the contrary, it was a set of priorities, expressed as objectives, supported by programmes of action and targeted at clear outcomes. However, if priorities changed owing to unexpected external or internal circumstances then obviously the programme and budget must be able to be reviewed and be capable of adjustment in order to meet those priority needs. This type of flexibility within prescribed envelopes was a requirement in the modern world. There would of course be elements in the proposals which needed discussion and there might well be some omissions from the document which needed consideration, but the Employers believed that the fundamental structure of the document was sound. The detail would be discussed now by the Committee, reviewed again in the light of the Conference debate and then come back to the Committee for final consideration prior to final adoption by the Governing Body at its November 1999 session.

6. Somewhat unusually, but owing to unavoidable circumstances, the total of income would be agreed by the International Labour Conference before the adoption of the final programme details. The Employer members believed this was

[1] GB.274/PFA/9/1 and 9/2.

acceptable on this occasion, but it should not necessarily be accepted as the appropriate mechanism for future biennium discussions. In normal circumstances an attempt should be made to put forward a full programme of activities properly costed against short-term objectives, targeted to meet longer term strategic objectives, with the total package adopted at the March PFAC for proposal to the Conference. The proposals quite correctly confirmed the delegated authority that the Governing Body had conferred on the Director-General, but in giving that delegated management authority it still retained its responsibility for governance. This meant that communication between the Director-General and the Governing Body had to be open and frank. It had been so far, and the Employers appreciated the clear indications that it would continue. Furthermore, the Director-General had signalled his intention to provide measurement tools through agreed performance indicators. These should be put in place as early as possible both to give an assurance to the Governing Body that existing resources were being effectively utilized and also to support the Director-General in measuring the progress being made.

7. The Employer members believed that this was a budget for change, where change was seen as positive and necessary to achieve specific outcomes — not change for its own sake. A process had been started which would not only reinforce the credibility of the ILO, but reinforce its place as undisputed leader in its field, providing timely and relevant services over a broad range of interests and guided by its constitutional mandate.

8. The Employers fully accepted the four strategic objectives, or the four pillars as they were referred to, as being the proper priorities for the ILO at the moment. They were not totally independent of one another, and would in fact work together in mutually supportive ways. The key to strategic planning was an evaluation and measurement of progress, success or failure. With limited resources the ILO should ensure that they were used in the most efficient way towards meeting the needs of member States. It should strive for excellence. It should not shirk a challenge but it could not be, and should not try to be, all things to all people. It should as far as possible stick to its core business and areas of expertise, but recognize the competencies of other organizations and build cooperative relationships and networks capable of adding value to its own activities.

9. It was important to maintain an appropriate balance between the activities of standard setting, supervision, research and technical cooperation because each had its own role to play in building the Organization's credibility. The criteria in determining the approach to be taken were established by constituents as a response to customer demand. Right now constituents were seeking a base network of credible and relevant standards and a supervisory machinery for standards which would promote education and development. They were seeking research which was solid, professional and forward-looking, which took full advantage of the breadth of experience within the ILO as well as the expertise and experience of the constituents, and which was not reactive or founded on preconceived ideas. Lastly, they were looking for technical cooperation targeted to making a difference where it counted. For those reasons the Employers were pleased that employment generation had been given the priority that it deserved because it was an activity much in demand by constituents.

10. The Employer members supported moves towards decentralization, with greater emphasis on delivering services in the field, but it was important in so doing not to lose directional control or functional accountability. Retaining the tripartite structure in field activities was important in view of the role that employers' and workers' organizations could play at the practical level. Although the ILO should make the best use of scarce resources it should be careful not to spread itself too thinly so as to avoid damaging its credibility. The ILO should be valued and used, but it should take care not to dilute its tripartite structure through attempts to create new direct relationships with others. This was not elitist; ILO constituents had relationships with many bodies within their civil societies and those networks should be used instead of wasting resources creating direct linkages with other parties.

11. As the Office paper pointed out, employment generation was the engine for social progress. But this in turn was the direct result of the economic policies put in place. Employers themselves were not in business with the sole objective of creating jobs or employing people. That was not their fundamental role, although they of course accepted their responsibilities to their employees and to society as a whole. Governments had the primary responsibility for creating a climate conducive to employment creation, and they were also responsible for putting into place the standards to be respected by the employers. Similarly, it was for governments to establish the labour market policy frameworks which had a major impact on labour costs and on job creation and job retention in the market.

12. As an organization the ILO should not see itself as necessarily having to compete with others. But by cooperating with others it would progress by sharing and pooling its resource and knowledge bases and pooling its service capacity and advocacy skills to achieve common objectives. The ILO was right to place such emphasis on human resource development, personnel policy and training because they were central now to the strategic focus of ILO activities.

13. The Employer members supported the proposal for continued zero nominal growth. At this stage the customary expenditure of each department in detail was not available but even so there were some difficulties with the linkages between Volumes 1 and 2 of the proposals. It would be clearer if Volume 2 could be restructured, with departments making proposals based on strategic priorities, showing properly costed and measurable short-term objectives and how departmental activities supported the strategic objectives of the Organization. This additional information should be available at the next session of the Governing Body. In summary the proposed approach to budgeting was a new departure for the ILO and would enhance the effectiveness of its programmes. The Employers agreed with the priorities established through the four strategic pillars and with the continuation of the zero growth regime, but it would be useful to have clarification on the following matters:

14. First, there should be some reassurance on putting into place or strengthening existing performance management and programme evaluation systems.

15. Second, there should be clarification of the reporting mechanisms for the maintenance of good governance. Just two full Governing Body meetings per year had been proposed although this would be discussed in more detail at a later stage. It might be time to consider the role, structure and approach to governance in the

light of the new management structures envisaged, and this could well lead to a new, perhaps more innovative approach to the work of the Governing Body.

16. Third, there should be more information on the Office's human resource development intentions, with specific budgetary allocations for the organizational changes required, and for training and reorientation programmes for the new strategic planning methodology.

17. Fourth, there should be clarification of the operational systems needed for the four pillars and InFocus programmes related to cross-cutting departmental activities, and how programmes listed in Volume 2 would be tied in to the strategic budgeting process.

18. Finally, there should be a reassurance concerning the continued relevance of the tripartite structures within the ILO, with ACT/EMP and ACTRAV as equal parties with adequate resources to support the policies and programme activities at all levels of the Organization.

19. Mr. Blondel stated that while the Worker members accepted the proposals in general terms they had reservations about several points. The new presentation in two volumes made the document as a whole easier to read and understand. The new Director-General had only just taken office and the task of preparing the budget in collaboration with the Office has thus fallen in the main to him and his Transition Team. Thanks were due to all who had contributed to this work which also would act as a base for the Director-General's Report for the Conference, which would define his vision and the ILO's future priorities.

20. The Governing Body had decided last November, in this exceptional case, to grant the Director-General more flexibility with regard to the allocation of budget resources to the different programmes and for the detailed allocations to individual programmes to be discussed at the November 1999 Governing Body session. The Workers also supported the Director-General's intention to introduce reforms to management structures and programme activities and to make them as operational as possible. In this connection, Mr. Blondel had insisted there should be consultation among all three groups during this period and the Worker members would like more precise information on what form it would take.

21. In the text of the programme and budget proposals, the Director-General's introduction summed up the main themes of the budget and gave details on the strategic budgeting process as well as the steps to be followed during the remainder of 1999. The introduction confirmed that the principle of zero growth would continue and that the proposed expenditure was at the same level as in 1998-99. Tables 2 to 6 showed the net cost savings by comparison with 1998-99 amounting to $785,000 which had been added to the forecast for 2000-01. They expressed full support for the four strategic objectives of the programme and budget which accurately reflected activities at the core of the ILO's mandate. The main envelopes of expenditure corresponding to these objectives shown in table 1 on page 5 were still only indicative, including the percentage for each. However, the distribution of technical programmes, regional programmes and support activities according to the strategic objective framework was somewhat arbitrary and it was extremely difficult to avoid overlaps.

22. The Workers welcomed the concept of InFocus programmes to address priority issues for ILO constituents. These inter-sectoral programmes replaced the

proposals for action programmes put forward last November, and $8 million of resources would be similarly transferred. The social partners should be involved at every level in the implementation of these programmes. Details of their implementation would be discussed next November but the Governing Body should be kept informed of progress in the meantime. The Workers were pleased to see the extent to which gender issues had been taken into account in the implementation of the four strategic objectives, and that development activities were such a major component of the proposals for 2000-01. Many developing countries were weighed down by the burden of structural adjustment programmes imposed by the IMF and the World Bank, and the ILO had to continue making a firm and determined effort to bring about a shift in the policies of the Bretton Woods institutions so that they would recognize the importance of fundamental international standards for economic and social development. In doing so it should try to play a more prominent role in the elaboration of socio-economic policies at the international level and with other international organizations such as the IMF, the World Bank and the WTO. These efforts would be fully consistent with the values upon which the ILO had been founded and which were just as relevant 80 years later.

23. The Workers would have preferred to see special attention given to environmental issues and the activities of multinational enterprises. The ILO should carry out studies on the employment impact of environmental damage and proposed protection measures, perhaps by expanding the InFocus programme on health and safety under the third strategic objective. It should also pay more attention to the activities of multinational enterprises. It was not just a matter of contesting their existence at a time when they were coming into their own with globalization of the economy, but of taking a closer look at their behaviour.

24. Follow-up on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy was of course of crucial importance but the proposals fell short of the mark. The crucial question was how multinationals would apply international standards. This problem would merit discussion in the Governing Body or the subcommittee dealing with the subject, and the Workers stressed the importance of ensuring that adequate resources were allocated for this purpose when the budget proposals were formulated in the coming months.

25. On the promotion of employment in small and medium-sized enterprises, it was important to strike a balance in the application of the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), which, among other things, emphasized the need to promote respect for fundamental workers' rights in these enterprises, especially with regard to improving occupational safety and health and the abolition of child labour. At the same time efforts should be made to improve income, conditions of employment and social protection in the informal sector.

26. The Workers agreed with the programme for sectoral and technical meetings proposed in paragraphs 116 and 118 of the document, and strongly supported the suggestion that the agendas of sectoral meetings be aligned as far as possible with the four strategic objectives of the budget. They supported also the Director-General's proposals with regard to strengthening institutional capacities and rapid ILO response. The need for the ILO to respond rapidly and effectively to unforeseen events affecting matters within its terms of reference was borne out

by recent examples such as the Asian crisis and the economic upheavals in the Russian Federation and Latin America.

27. The Workers asked whether the 166 posts in the substantive units and senior management levels and the 62 posts in the General Service category, which had been frozen in the previous biennium, had been included in the budget for the coming biennium and, if so, whether the Office intended to fill these posts. Looking more closely at the financial details it appeared that in addition to the net cost savings of $785,000 due to cost variations, other savings estimated at $12 million for the 1998-99 biennium could offset anticipated cost increases for 2000-01. A solid inflow of contributions for 1999 could also result in a fairly substantial surplus, but the Workers had certain misgivings in view of the current evolution of exchange rates. Further falls in the exchange rate of the Swiss franc to the dollar would result in an increase in the budget in dollar terms, as pointed out in paragraph 145.

28. As a concluding summary, the Worker members welcomed the proposals put forward by the Office. They agreed on this occasion and as an exceptional measure that there should be an element of flexibility given to the Director-General concerning the detail of the proposals for 2000-01 but they were concerned to see that the budget discussions did not become merely an accounting exercise. As a final point it would be useful to know how the Director-General intended to hold formal and informal consultations on the allocation of budget resources from now until the Governing Body session in November.

29. The representative of the Government of Canada, speaking on behalf of the IMEC members, expressed satisfaction that the documents responded in both form and substance to the proposals made by IMEC in November 1998, and its concerns on the future content and process for completion of the programme and budget, were addressed by the Director-General in his introductory remarks.

30. The IMEC members appreciated the extent to which the Director-General had advanced the November document and further developed the concepts, main themes and emphasis within the four strategic objectives to present a clear and focused picture of the fundamental elements of the ILO's programme of work. This was particularly commendable given the very short time-frame to revise the documents. She wished to express thanks to the Director-General, the Office and the Transition Team for a job well done. The documents had been developed in exceptional circumstances, with known constraints due to the transition period and the fact that a number of key policy discussions at the June 1999 Session of the International Labour Conference would influence the detailed definition of programme activities. Volume 1 was a welcome starting-point for a fully developed strategic budgeting approach. The IMEC members looked forward to further articulation of specific targets, clear outputs and measurable performance indicators for the objectives, as well as resource allocations with the traditional staff and non-staff breakdowns. Figures for the four strategic objectives were understood to be indicative and should also be reviewed. As the November 1999 document would be the basis for decisions on finalizing the 2000-01 programme and budget, sufficient time should be allocated for this discussion. The November 1999 exercise should be seen as exceptional due to the major changes under way, and the document would provide the baseline for monitoring and evaluating results in accordance with strategic and operational objectives, and would afford the

opportunity over the biennium to refine and further elaborate objectives, targets and performance indicators as necessary. These would be fully integrated with resource allocations into the next programme and budget for discussion at the March Governing Body prior to the Conference, as was the usual practice.

31. The continuous process of monitoring, assessment and reporting was an integral part of the strategic budgeting concept, and a fundamental management and government tool for the Director-General and the Organization. It allowed for formulation, expansion, reduction or elimination of programmes and activities on the basis of lessons learned from internal and external evaluations, changed circumstances or emerging priorities. The IMEC members therefore welcomed the Director-General's commitment to develop an effective monitoring and evaluation function early in his tenure and to report regularly, fully and objectively to the Governing Body on the use of funds and programme results. IMEC also encouraged the Director-General to continue his extensive consultations with constituents, a process greatly appreciated by the IMEC members.

32. Turning to the specific aspects of the programme and budget proposals, IMEC first expressed full support for the mainstreaming of gender and development in the ILO's programmes and activities. Second, it welcomed the alignment with the strategic objectives of a number of cross-cutting means of action such as research, publications, public relations and information. This would reinforce the coherence of programming and the consistency of the ILO's message and image for its constituents and also for the international community as an effective knowledge-based organization.

33. Third, the alignment of regional programmes to the strategic objectives would assist in a clearer definition of country objectives, which provided the basis for field programmes and constituent services, as well as the allocation of resources and personnel in the field offices and the multidisciplinary advisory teams (MDTs). IMEC supported the need for a review of structures and of the Active Partnership Policy (APP), as outlined in paragraph 125; the relationship of the field structure with headquarters was an important aspect of this review.

34. Fourth, as noted in paragraph 118, and as mentioned by the Worker spokesperson, the IMEC members agreed that an analysis of technical and sectoral meetings should be made to ensure that those selected contributed most to achieving the strategic objectives.

35. Fifth, the IMEC members supported the Director-General's emphasis on coherence for technical cooperation programmes, whether funded from regular budget or from extra-budgetary funds. Such programmes should have a clear relationship to the strategic and operational objectives to ensure that their focus was not dispersed by either supply or demand. The concept of the InFocus programmes, and the reassurance that they would be supported from the regular budget as well as from extra-budgetary funds, was likewise welcome. Finally, they were in agreement with the draft budget of expenditure and income outlined on pages 55 and 56 of Volume 1. They looked forward to genuine efficiency savings on programme delivery in the next biennium to ensure that maximum resources were allocated to priority programme activities. In conclusion, the IMEC members again expressed appreciation to the Office for the documents and they looked forward to working with the Director-General on further developing the programme and budget, its underlying processes, and other related change.

36. The representative of the Government of Japan, speaking on behalf of the Asia and Pacific members, appreciated the new approach to strategic budgeting and looked forward to its further development. The document was more readable and encouraged discussion on the ILO's objectives and priorities, allowing funding to be directed in a focused approach towards these areas. With regard to strategic objectives, the members appreciated the inclusion of many ideas to which it attached importance. It generally supported the four strategic objectives and welcomed the InFocus programmes identifying the ILO's priority areas, and the attempt to mobilize resources. These reflected the Asia and Pacific members' overall objectives included in its statement to the November 1998 Governing Body. In particular, they were pleased to see the inclusion of, and emphasis on, development issues, the informal sector, micro-finance, gender issues, and rapid response capacity — especially in regard to financial crises — and the new stress placed on developing the ILO's analytical capacity and looking at programmes in a contextual way. At the same time, there should be even more emphasis on employment creation and poverty alleviation.

37. Regarding flexibility and timing of the budget procedure, the Asia and Pacific members appreciated the need for flexibility in the timing of the budget finalization in view of the changeover of Directors-General and the budget restructuring. They could also go along with the proposed changes in time line for the present biennium. However, even after the programme and budget discussion at the June 1999 Conference there needed to be an improved way to involve the Governing Body in consultations and approval from time to time to ensure that the finances were being managed in the most efficient manner. Furthermore, more information would be needed on the contents of the documents to be issued for the June 1999 Conference and the decisions that would be expected of the November 1999 Governing Body session.

38. The Asia and Pacific governments appreciated the proposals made by the Office on reporting to the Governing Body, improvements in monitoring and evaluation systems and the introduction of performance indicators for programmes. Monitoring and evaluation procedures were especially important in a strategic budget as they would increase transparency and lead to efficient management and continued improvement in programmes and use of resource; the results of this work should be shared with the Governing Body and reflected in the drawing up of the programme and budget for the following biennium.

39. The Asia and Pacific members supported a budget level based on zero growth but it was most important that the resources should be used in the most effective manner. Savings should be found in administrative activities and redirected to the ILO's priority programmes. They stressed that adoption of the strategic budget should be accompanied by a rigorous oversight system. They welcomed the concept of InFocus programmes in both the regular and the extra-budgetary programmes. The ILO should maintain control over the programmes in close consultation with governments and the social partners, maintaining a balance between the wishes of the donor countries and the aims and objectives of the Organization. When dealing with extra-budgetary resources the ILO should carefully consider the relevance of a proposed programme to the strategic budget and objectives set out in the budget document, and it should endeavour to include

some portion of the regular budget in all programmes financed from extra-budgetary resources to demonstrate its own commitment.

40. Turning then to specific comments on parts of the proposals, the Asia and Pacific members believed that technical cooperation should be the means of action for Strategic Objective No. 1. The purpose of the follow-up to the Declaration on Fundamental Principles and Rights at Work was not only to identify areas needing technical assistance but also to assess the way the assistance was delivered, and the follow-up should be independent of the International Labour Standards Department. There also seemed to be some duplication in operational objectives 1(a), 1(b) and 1(c) of Strategic Objective No. 1, as well as in some of the InFocus programmes.

41. Regarding Strategic Objective No. 2 — employment — the members believed it deserved the highest priority. In the light of the current situation in the world today, particularly the global economy and the effects of the Asian financial crisis, even more emphasis should be placed on employment. The ILO should look at how employment could be related more closely to the other strategic objectives if it wished to have the lead role in the area of employment. They recalled that the World Summit for Social Development held in Copenhagen in 1995 had given the ILO a specific mandate to focus on employment-related activities so it should devote particular attention to development and poverty alleviation as integral components of its efforts to realize this particular strategic objective.

42. The Asia and Pacific members also would like more information on technical cooperation, in particular how it would be allocated across the strategic objectives and in the different regions. Each objective should be supported by specific technical cooperation activities as the most important means of action towards achieving them. They also attached great importance to the question of child labour, and supported the emphasis on this problem. The problem of child labour, especially in the context of poverty, economic deprivation and parental unemployment, was extremely complex and should be dealt with sensitively. The inclusion of the ILO's International Programme on the Elimination of Child Labour (IPEC) under operational objective 1(c) and as an InFocus programme was welcome, and efforts should be directed towards the progressive elimination of child labour, starting with its worst forms and not focusing on specific industries. The budget document should address the growing gap between strategic and realistic objectives in the field in order to maximize the impact of the IPEC programme. IPEC should therefore be dealt with in cooperation with the national child labour eradication programmes of participating member countries.

43. Turning to the regional programmes, the members appreciated the increase in funding for field programmes in the Asia and Pacific region, which had the greatest number of the world's poor people. This unfortunate situation had been further aggravated by the Asian financial crisis, and now, more than ever, the assistance of the ILO was vital.

44. The representative of the Government of Panama, speaking on behalf of the Americas group, expressed appreciation for the clear presentation of information in the two documents. There would be time to study them in greater detail before June so that at the time of the 1999 Conference there would be a clearer idea of what the ILO wished to achieve. The American regional members agreed with the concept of a zero growth budget in the present economic climate. This whole problem had been monitored closely over recent biennia but zero

growth was still the appropriate strategy even for the new strategic budgeting process. They were happy to express their support for the presentation and content of the Programme and Budget proposals for 2000-01.

45. The representative of the Government of Algeria, speaking on behalf of the African regional members, congratulated the Office on the quality of the documents produced. The proposals had been prepared in close consultation with the outgoing Director-General and the benefits of this collaboration would be of great value to the Organization and to its constituents individually.

46. In his introduction the Director-General had indicated that this programme and budget would be valuable as a major management tool. They welcomed the new presentation based on four strategic objectives and their accompanying operational objectives, which clearly had increased the transparency and readability of the document. The ILO should continue to be a knowledge-based centre of excellence, to the benefit of all its constituents. The African group also favoured the proposal of the Director-General to set up a structure to manage crises in Africa and Asia.

47. The increase, slight but real, in budgetary and extra-budgetary resources in favour of Africa was a welcome development. In spite of the fact that priorities had been based on country objectives it was true that 13 African countries had seen little benefit. The African regional members expressed their concern and urged the Office to take remedial action.

48. A number of specific points had to be made about the strategic objectives described in the document. The first related to the Declaration on Fundamental Principles and Rights at Work and its Follow-up. The African members supported all initiatives targeting countries which had not yet ratified the fundamental Conventions, especially the Minimum Age Convention, 1973 (No. 138), but measures should be taken to intensify the ratification campaign. However, additional clarification was required on the ways and means for the Office to increase the number of ratifications and how it intended to proceed with measures to protect children and progressively eliminate child labour during the 2000-01 biennium.

49. As to the three other objectives — employment promotion, poverty alleviation and social dialogue — the African members were in complete agreement with the Office's assessment of the current situation in Africa with regard to poverty, unemployment and underemployment. A considerable number of African countries were courageously applying structural adjustment programmes at high social cost. Here, too, the ILO should devise innovative policies specifically adapted to Africa in order to mitigate the effects of unemployment and underemployment. While far-reaching economic restructuring had in some cases stimulated economic growth, it was equally true that such economic revisions had their limitations. It was clear that the conventional remedies and measures advocated and applied were often unsuitable and always painful when not seen as part of a broader picture in which each country's social fabric was duly considered. Lastly, they particularly welcomed the provision of resources for employers' and workers' organizations with a view to establishing and strengthening social dialogue, which was the best vehicle for democracy. As a concluding comment they appealed to the Office to strengthen the MDTs in Africa in terms of both financial and human resources.

50. Mr. Anand (Employer member) endorsed the comments made earlier by Mr. Marshall. The two volumes under debate were visible evidence of a new approach to budgeting in the ILO, but although they might give statistical information in well-presented tables on resources and allocations they should also indicate, on the basis of input-output ratios, the estimated achievements in physical terms following the investment. As it was, the documents resembled an election manifesto in tone and language, without targets being indicated for any of the vital elements in the four objectives. This should be rectified between now and November 1999 so that at the end of the year the Governing Body would know whether or not targets had been met. These measurement indicators would enable it to evaluate the effectiveness of the new strategies.

51. The Director-General's statement to the Governing Body and the executive introduction in Volume 1 emphasized strategic objectives and InFocus programmes, all worthy of support. But, cumulatively, what purpose did their implementation serve? They aimed at sustainable social progress with the elimination of poverty and the promotion of productive employment as core objectives, but this required visionary leadership and an action-oriented organizational structure. There should be more emphasis on field programmes because that alone would open new avenues of employment, particularly in the informal sector and with small and medium-sized enterprises.

52. Fundamental principles and rights at work had a meaning only if work was available to the millions of urban and rural unemployed youth. At present employment in many manufacturing sectors was under threat for various reasons, especially in Asian and African countries. The mobilization of productive economic resources had yet to be accepted as a top priority and there was no clear-cut and unequivocal acceptance of this basic approach in the Office documents.

53. Personnel policy in the ILO was another issue. As a service, knowledge and advocacy organization the ILO's success would depend on the reorientation of its personnel policies from top to bottom, both at headquarters and in the field. ACT/EMP had a major role to play in strengthening the social partners and this should be developed further. Without a programme for continuing staff training the Director-General would find it difficult to make the best use of ILO human resources. In IPEC top management procedures needed to be simplified. The role of steering committees — both national and international — should be made less regulatory and should contribute more to the periodical monitoring of projects for best results. These actions should be given higher priority.

54. The World Summit for Social Development gave high priority to programmes for the eradication of poverty; the ILO had a duty to play a major role in this work, and there was room for improvement in its performance so far. Poverty eradication, employment promotion and the preservation of an eco-friendly environment, prime challenges for the world's future existence, ought to be placed at the top of the four strategic objectives. Governments should do more in their efforts to alleviate poverty, and the Director-General should take urgent action to make these programmes more visible. He would have to persuade member States of the need for immediate action if there was to be any chance for the impoverished millions of the world, in particular in South Asia and sub-Saharan Africa. Only if the ILO acted now would it justify its continued existence to future generations.

55. The representative of the Government of Croatia appreciated the great efforts made by the Office, as well as the Transition Team, to prepare the new documents reflecting all aspects of the discussion during the November 1998 Governing Body. All activities within the ILO's mandate were described under four strategic objectives covering the most important subjects in today's development agenda. On the basis of traditional values the programme opened up the possibility for the Organization to respond to new demands, and it was especially gratifying to see the extent to which the proposals reflected follow-up activities to the World Summit for Social Development.

56. Development was indeed a key word in implementing the programme, and it was clear that all strategic objectives and InFocus programmes were directed towards that goal. Furthermore, employment generation was rightly seen as a central feature of development activity and the largest amount of resources was allocated to Strategic Objective No. 2. Croatia shared with many other countries in transition the problem of increased unemployment and looked forward to the ILO's initiative to implement InFocus programmes on reconstruction and employment-intensive investment. Through technical cooperation those programmes would help many countries in their endeavours to overcome the crisis in the field of employment. Development programmes were also affected by gender issues and the proposals showed a welcome commitment to gender equality as an indicator of the Office's effectiveness in its pursuit of equitable and sustainable human development. Resources for the global programme, More and Better Jobs for Women, should be allocated within the budget so that its implementation did not depend exclusively on contributions from donors. Croatia fully supported the strategic budget framework set out in Volume 1 of the programme and budget proposals but unfortunately could not express the same satisfaction with Volume 2, which largely repeated the content of the document presented two years before. It was true that the Office had not had enough time to make new proposals, but the discussion during the present session of the PFAC should give enough impetus to prepare a new document containing a more detailed distribution of resources. If such a document could not be completed for the Conference, it should be prepared through continuing consultation with the constituents for the November 1999 Governing Body session. This would require the Conference, when adopting the budget in these extraordinary circumstances, to authorize the Governing Body to discuss and make the necessary changes required in November.

57. Along with other countries in Central and Eastern Europe Croatia believed that the problems and particular needs of the countries in the region had not been given sufficient attention and were not fully reflected in field programme 280 for Europe and Central Asia. This programme should be strengthened urgently in accordance with each country's specific needs, and member States should be given full support and assistance to grapple with the problems they faced.

58. The representative of the Government of Austria was in basic agreement with the Programme and Budget proposals for 2000-01. It was in line with many of the wishes and concerns expressed by the majority of the member States, gave a better overview and was more transparent. He was convinced that the new Director-General would exert even greater efforts later in the year to come back to the Governing Body with detailed, concrete figures. This situation was unique this year. It was regrettable that a slight adjustment for inflation had not been built into

the budget, when considering the immense burden on the shoulders of the Organization.

59. The representative of the Government of Italy said that the views of his delegation had already been set forth in the statement made by the delegate of Canada on behalf of the IMEC countries. In subscribing fully to the expression of appreciation contained in that statement, he added that Italy was one of the countries which attached the utmost importance to the implementation of the Declaration on Fundamental Rights and Principles at Work on a broad scale. Employment was a crucial problem for a vast majority of countries and he noted with interest that among the four strategic objectives, employment had been given the highest amount of resources. The ILO's efforts on behalf of the huge problem of child labour were also fully supported by his delegation. Referring to the overall evaluation of the programme, it was necessary to ensure that all the resources of IPEC were directed to its targets in the most effective way. The programme and budget document also stressed a number of points which had not always been put in their proper light, perhaps because they were taken for granted. Probably the most important was human resources: it was not easy to always have the right man or woman in the right place; the indication of a full utilization of competence was welcome. He closed with a final word on the Turin Centre: Italy had always been a firm supporter of the Centre, being convinced of the fundamental importance of professional training; the Centre had also played an important role in the activities of the ILO within the United Nations system. As a member of the Board of the Centre, and as a representative of the host country, he extended an open invitation to the Director-General to visit the Centre.

60. The representative of the Government of Poland congratulated the Director-General on the preparation of the Programme and Budget proposals for 2000-01. It was a good starting point toward meeting the future challenges of the Organization and of its member States at the turn of the millennium. He expressed hope that the implementation of the programme proved successful and effective.

61. The formulation and focus of four strategic objectives was appropriate, taking into account the fact that many of the current and planned programmes were of an interdisciplinary character, which meant that they transcended the current structural division of the Office. It was also important that the document contained a description of the planned activities by regions. Clear indications of the needs of States which would become European Union (EU) members in the future was appreciated, particularly as concerns adjustment of national legislation to EU requirements. The document also accurately perceived that ILO-European Union cooperation should be strengthened. This should have a positive influence upon the improvement of the financing and implementation of technical cooperation programmes.

62. He expressed appreciation for the emphasis placed upon social protection in the broad sense. Until now, the ILO had mainly focused on social security issues and their social and financial implications, but in the document a more comprehensive approach to social protection issues was found. This reflected the concepts presented during the World Summit on Social Development, taking into account the fact that in the year 2000 a Special Session of the United Nations General Assembly would be held in Geneva to review the activities undertaken to implement the findings of the Summit.

63. As concerns domestic problems of individual States of the Central and Eastern European region, the growing interest of the ILO in such issues as disabled persons, social assistance and strengthening of its structures, vulnerable groups such as children, elderly people, etc., as well as conditions of work, was greatly appreciated. He expressed hope that ILO activities in this very sensitive field would be not only more effective but also more comprehensive.

64. A group of issues related to employment and the labour market, especially the role of small and medium enterprises in the creation of new jobs had been given considerable emphasis. This group of projects deserved full support, particularly the programme concerning enterprise and cooperative finance/micro-finance. His country was very interested in activities proposed concerning the development of the national system of collection and analysis of data relating to child labour, activities which would be carried out by IPEC, and had often said that they were ready to actively cooperate in the framework of this programme.

65. The representative of the Government of India congratulated the Director-General and his team for the programme and budget documents and appreciated the process of consultation which had been established by the Director-General and his Transition Team well in advance of his assumption of office. A reflection of the Director-General's concerns was evident in the documents before the Committee and the introduction of strategic budgeting and the changed format of the presentation of the Programme and Budget proposals for 2000-01 deserved full support. Strategic budgeting would assume added significance as the ILO prepared to redefine its priorities in line with the four strategic objectives and the related eight InFocus programmes. The emphasis on employment issues was fully justified in the light of economic conditions in many countries around the world.

66. However, for the ILO to effectively address the vicious circle of falling employment, rising poverty, and increasing social tensions, additional resources for substantive and operational programmes would be required. Furthermore, keeping in view the commitments made at the Social Summit in Copenhagen for full employment and eradication of poverty, these closely interrelated objectives needed to be underscored, and matching InFocus programmes needed to be strengthened. The ILO alone could not address all the problems related to employment generation; therefore, cooperation among nations, among multilateral agencies, both under the United Nations system and the Bretton Woods institutions, was essential.

67. With regard to employment generation, he particularly welcomed the thrust on labour-intensive public works, the informal sector and micro-enterprises, and income-generating programmes for rural people. The process of monitoring and performance evaluation in a strategic budgeting framework would lead to efficient management of programmes and resources. The outcome of such evaluations — performance indicators, achievements and shortcomings, if any — should be shared regularly with constituents. The proposal for a broad envelope corresponding to strategic objectives was an excellent idea as it would impart the flexibility required for further allocation of expenditure for various programmes within the broad objectives.

68. The InFocus programmes, as envisaged in the first objective of the elimination of child labour, required development of a systemic approach. While the use of ILO-IPEC as an operational instrument in the fight against child labour

was welcome, the budget document referred to a sectoral approach which, unfortunately, had come to be favoured by many donors. This could undermine the relevance of the ILO's effort for developing countries who would not be inclined to accept donor-driven preferences that did not address the most exploitative forms of child labour. In this regard, the Director-General in his introductory statement had appropriately referred to the dangers of donor-driven specificities. The budget document should address the growing gap between strategies and realities in the field, which resulted in a dispersed and marginal impact of ILO-IPEC programmes, and he expressed support for the statement by the coordinator of the Asia-Pacific group on this point. The allocation of resources for technical cooperation was mainstreamed across the four strategic objectives; the Committee was therefore not in a position to assess the quantity of resources allocated for technical cooperation activities. However, the document did provide those details with regard to extra-budgetary allocation for technical cooperation, and it would be useful to see that information for regular budget technical cooperation included in the documents which would be presented in June and November.

69. The representative of the Government of the Russian Federation expressed his satisfaction at the Programme and Budget proposals for 2000-01, drawn up in a new format, and representing an important step towards strategic budgeting. The new budget format would make it possible to increase transparency and clarity in the presentation of programme activities of the Organization and to bring about the desired results. The results of the further work during the current session of the Governing Body and the June Conference and the addition of concrete figures for the programmes and budget would produce the final version of the budget. As for the level of the budget, this should be based on zero nominal growth. As regards the so-called cost increases, these should not be over-estimated and in future should be absorbed within the budget base.

70. He also welcomed further efforts by the Office to bring about an economic use of resources and also a clearer planning of so-called cost increases, which could be further absorbed within the framework of the budget.

71. The representative of the Government of Sweden endorsed the IMEC statement. He congratulated the new Director-General and thanked him and the Office for an excellent document which it was impossible to do justice to in a few minutes. Referring to strategic budgeting, centres of excellence and to a dimensional priority, he reinforced the IMEC statement that the very foundation for a strategic budget concept was a well-functioning evaluation, monitoring and reporting system. The present budget implied a shift of emphasis in the ILO and in the United Nations, and it would take time for the Office and the Governing Body together to develop an appropriate evaluation system. The reality was that without it there could be no strategic budget, but the Committee should be prepared to fulfil its responsibilities in the process of reforming the ILO to one that was result-based and not volume- or procedure-based.

72. From the proposals there was a clear understanding that the ILO operated on a market. The history of multilateral services was full of examples of agencies which had created their own comparative advantages. The most conspicuous one was the World Bank's emergence as the leading technical cooperation agency. In many areas, where specialized UN agencies believed they were protected by UN mandates, comparative advantages or centres of excellence in the highly

competitive market for international services were, in the long run, as stated by the Director-General, created by results and by what they delivered and not by legal mandates, traditions or empty conjurations.

73. Finally, both of the cross-cutting, interrelated issues in the budget were music to the ears of his delegation. They highly appreciated what was stated regarding development in paragraph 18 and were eager to see what the concrete intentions of the Office were in this respect. Development was a complex and vast concept and he hoped that the Office was moving in the direction of a more comprehensive and indeed integrated approach to this issue. But clearly, on the understanding that not all the objectives could be approached simultaneously, there would be a need for certain priorities with regard to the necessary sequence for action to reach objectives. The ILO needed to look at what should be done first and what objectives or types of action were in reality prerequisites for others. In the past there were many examples where the ILO had focused on easy targets or popular activities saying that it would attack the more difficult, often institutional issues, later on. In doing so, it failed to recognize the essential complementarities.

74. But a waste of resources could only be avoided if analysis preceded action. The ILO needed to learn something important from the business sector. A good business strategy attempted to identify bottlenecks and to solve problems that were impediments to success. This required a bold and unprejudiced approach. The Director-General had produced an impressive document which would challenge the Committee as it discussed ILO activities for the 2000-01 biennium.

75. The representative of the Government of Bangladesh congratulated the Office on producing an excellent document, and he supported the views expressed by the coordinator of the Asia and Pacific group. The programme and budget proposals were a determined stride towards the realization of ILO's philosophy of ensuring social justice at the workplace. They were also a step forward in the new Director-General's desire to make the ILO a modern, dynamic organization, which combined adaptability with a strategic vision of its mission. The achievement of the four strategic objectives outlined in the document would be a conspicuous landmark in the ILO's history of struggle for the implementation of the core labour standards in the member States.

76. Eight international InFocus programmes also came out prominently in this document. Serious implementation of these InFocus programmes was absolutely necessary for the economic protection of the workers, particularly vulnerable workers in the developing countries. Productive employment promoted the reduction of inequality of all forms based on gender, race, income and other factors, so employment and enterprise creation was of prime importance. Bangladesh was prepared to work with the ILO in achieving the goal of gender equality, an essential factor in sustainable human development. The implementation of the proposed programme and budget would contribute substantially to the promotion and realization of the fundamental principles and rights at work, and this would in its turn consolidate democracy, equality, economic efficiency and sustainable growth in both the developing and developed countries. This would be a remarkable achievement, and international understanding of the highest order would be required to institutionalize these values. He was pleased that the document not only spelled out a programme for progressive elimination of child labour but also emphasized the design and implementation of large-scale time-bound

programmes for the elimination of child labour. He also noted with satisfaction that IPEC would continue to provide technical advice and assistance to governments and to the employers' and workers' organizations as required, and would prepare national and sectoral plans of action. As part of other programmes to promote decent employment and support families, the InFocus programme also aimed to establish social protection schemes to provide alternatives for affected children and their families. It was his conviction that only by providing for suitable rehabilitation of working children and their families could meaningful progress towards elimination of child labour be made.

77. The document rightly attached importance to enterprise promotion and human resource development as key elements in achieving goals of productive employment, decent living standards, social and economic integration, personal fulfilment and social development. Poverty alleviation was a priority programme in developing countries like Bangladesh, and schemes being promoted included skill development and training, micro-credit programmes and other small enterprise support, investment incentives and subsidies. The ILO's capability to deliver technical cooperation for recovery and reconstruction was obviously necessary, but would not by itself suffice. Equally important would be the actual transfer of official development assistance from the developed to the developing countries.

78. The representative of the Government of Indonesia supported the statement made by the coordinator of the Asia and Pacific group. He welcomed also the strategic budgeting approach which highlighted the four main objectives in the proposals. The question of generation of employment, in which the ILO should take a leading role, had always been of high priority in his country. Active labour market policy, particularly in developing countries, had become more crucial since the nature of the world economy today had changed substantially, in particular by its impact on the social and labour market consequences of globalization.

79. Indonesia also attached great importance to how the technical cooperation programmes of the ILO would be implemented under the proposals. There should be a clear direction to these promotional activities, not only to keep programmes coherent but also to target the root causes in assisting member countries in their specific needs. The possible increase of extra-budgetary funds of the Organization to finance the technical cooperation projects was a worry because the dangers of donor-driven specificity, as mentioned by the Director-General, were also a concern, but he was confident that under the proposals the question of technical cooperation programmes and their implementation would be addressed appropriately.

80. The representative of the Government of Germany unreservedly supported the statement by the IMEC spokesperson. This was particularly true for the recognition and gratitude given to the Director-General and those who had elaborated the programme and budget. He expressly thanked the Director-General for the clarifications that he had given in his introductory statement two days ago.

81. The historical beginnings of parliamentary democracy meant that absolute monarchs had to give up the sole right to take decisions regarding expenditure, and for the process of consultation there was a system of committees in democratically elected parliaments. It was their task to carry out detailed work in order to make sure that the expenses envisaged by governments were justified. This Committee was the budget committee of the Governing Body and had those same tasks for the

Programme and Budget proposals for 2000-01. It could in fact have only a limited view and control over these tasks because the information available was not sufficient. No budget committee of any elected parliament would express satisfaction with the figures presented to this Committee. This task was something that the Committee would have to do in November. There was no purpose in putting these figures before the Finance Committee at the Conference in June because it was not a tripartite committee. To repeat this discussion in November, this Committee would have to have formal authorization to do so by the Conference.

82. On page 4 of Volume 2 there was a table of the proposed expenditure and the analysis of the increases and reductions in programmes. The clarifications were extremely confusing and it was not at all clear why net cost savings referred to in paragraph 143 of Volume 1 could not be included in the 2000-01 estimates in the table. A more transparent presentation would be helpful.

83. The representative of the Government of Hungary highly appreciated and agreed with the new approach to the preparation of the document which contained the main themes in four strategic programming blocks, including for each strategic objective several InFocus programmes which clearly reflected the main priorities of the ILO's activities. He fully supported the proposed allocations according to which almost 40 per cent of the resources would be devoted to the most important subject, employment development. These strategic objectives were of particular importance to countries in Central and Eastern Europe because throughout the region there were a lot of employment problems to be solved. Furthermore, it would be very useful if the ILO would consider how it could increase its contribution to the accession process of countries to the European Union, for example on the basis of the analyses of earlier experiments. In the framework of the second strategic objective he fully endorsed the operational objective of employment-friendly enterprise development policies and programmes, and warmly welcomed the InFocus programme boosting employment to small enterprise development. This would be one of the most important priorities of the Hungarian Government in the coming years.

84. In Volume 1 there was a clear structure of the strategy of the ILO in the next biennium, but in Volume 2 it was very difficult to find specific programmes, for example programmes for development of small and medium-sized enterprises, and there was also little budgetary information. The proposals should present the objectives in terms of specific programmes, clear outputs and financial resource allocation, developed on the basis of discussions with the constituents. Only on the basis of such a new programme description would it be possible to finalize the programme proposals for 2000-01.

85. The representative of the Government of France expressed appreciation for the programme and budget proposals, which marked a new departure for the ILO with its concentration onstrategic objectives, and the excellent cooperation between the Transition Team and ILO officials had produced a quality document. The preparation of the budget was part of a wide-ranging process of change and reform, including structural reform, and called for flexibility with regard to ILO rules and procedures.

86. He expressed full support for the four strategic objectives and hoped that they would be translated into concrete and measurable form, showing precisely the

percentage shares of the budget and a breakdown by operational objective, in the document for discussion in November. France was a strong supporter of the ILO and its work and with regard to the overall budget total it was not the total amount or the allocation of resources to one or other programme of the Organization that was important, but the relevance of the different programmes, their quality and their durability.

87. Referring to extra-budgetary resources, he wholeheartedly endorsed the Director-General's proposal that technical cooperation projects financed out of extra-budgetary resources would be undertaken only where there was a clear relationship with the strategic and operational objectives and the Office had a strong knowledge base and core funding from the regular budget. He also agreed with previous speakers who had emphasized the need for follow-up and evaluation of this strategic budget, especially through the use of the MERS system.

88. The representative of the Government of the Islamic Republic of Iran expressed full support for the concept of strategic budgeting, and he congratulated the Director-General and staff for undertaking such a major change in the presentation. Strategic budgeting enabled the Governing Body and the Conference to see the rationale and logic behind various activities, but this major step was only the starting point. Now the necessary tools existed to discuss the various programmes and activities in a more focused and productive manner, and he looked forward to other improvements in due course. He supported the four strategic objectives, but there appeared to be some duplication as regards the InFocus programmes. The discussion of the operational objectives and InFocus programmes would break new ground because the purpose of strategic budgeting was to enable a continued improvement of focus and effectiveness for various activities. The two cross-cutting issues of development and gender were of the highest priority. He supported the continuation of zero growth, although how the money was spent was more important than how much was spent.

89. Finally, concerning the adoption of this programme and budget, the ILO was in an exceptional situation as a result of the recent change in Director-General, but the results were more important than the usual strict budgetary procedures. He concluded by reiterating his appreciation for the major steps and changes which had been incorporated in both the format and the essence of this programme and budget.

90. The representative of the Government of Argentina thanked the new Director-General and his team for the excellent job that they had done in drawing up the documents before the Committee. Volume 1 eloquently and clearly developed the strategic and operative objectives that would guide the work of the Organization during the next biennium. The Director-General had made a valuable contribution in defining four strategic objectives that not only expressed a basic and universal consensus between the Members of the Organization but also summarized actions in a world that required from the ILO a clear, effective and coherent voice.

91. Volume 2 corresponded to the period of transition that the ILO was experiencing and would certainly be useful for discussion in November if adjustments could be introduced that would bring it more in line with the earlier volume. It should be possible, for example, to establish InFocus programmes that concentrated resources on the priorities for each major objective. The intention to

integrate gender and development values throughout the different objectives and strategies deserved the fullest support.

92. One very important subject described in the draft programme and budget was the evaluation of activities and staff. The Director-General should continue working on defining and refining the indicators which would allow the ILO to assess the yield and impact of its programmes by reference to objective criteria.

93. As regards the overall amounts allocated to each strategic objective, it would be more logical if the contribution of units to the achievement of objectives in earlier biennia was used as a base. However, the Director-General could consider the need for adjustments as a function of the reforms and the new structure of the Office because it would be appropriate to preserve a margin of flexibility in this area to allow possible adjustments in the distribution of resources amongst the four strategic objectives in the final document to be presented to the Committee at the November 1999 session of the Governing Body.

94. A new Director-General of the ILO, the high quality of the draft programme and budget for the 2000-01 biennium and the forthcoming implementation of the follow-up to the Declaration would ensure that the ILO would enter the twenty-first century with the resources and the energy to face the extraordinary challenges and opportunities ahead.

95. The representative of the Government of the United States welcomed the new strategic approach to the ILO's programme and budget presentation and congratulated the Director-General, the Office and the Transition Team on their work. Much had been done in a short time to reflect the Governing Body discussions of last November. He strongly supported the format which strived to clearly show ILO programme activities in the context of the strategic and operational objectives they were designed to fulfil. His Government fully associated itself with the IMEC statement. The relatively low level of detail in the programme and budget, as well as the proposed provision of those details in November, were exceptional and due to the transition in progress. It was understood that information to be provided in November would be for decision and at that time the envelope figures would be reviewed.

96. Promoting and realizing fundamental principles and rights at work, creating greater opportunities for women and men to secure decent employment and income, enhancing coverage and effectiveness in protection for all, and strengthening tripartism and social dialogue were, indeed, appropriate strategic objectives to guide the ILO's work. The proposed cross-sectoral InFocus programmes were an interesting concept and he looked forward to seeing them in action. The Director-General's plans to implement a monitoring and evaluation system to ensure that programmes were formulated, funding allocated and expenditures approved on the basis of targets, clear outputs and measurable performance indicators deserved the fullest support. He looked forward to seeing details in November. The emphasis in this budget presentation on cooperation early on, with other UN agencies and the international financial institutions was also most welcome. Clearly, there would be opportunities for the ILO to work closely with its counterparts in other fields on wide-ranging issues and projects that required the best possible expertise to achieve success. In this context, and as a cautionary reminder, the ILO should not try to be all things to all people, but should concentrate its work on areas within its mandate, priorities and expertise.

For instance, issues like reproductive health care education should be left to others. The programme and budget was forward-looking in its recognition that the ILO was a service, knowledge and advocacy organization, and that it must strengthen its capabilities in the areas of its mandate and expertise and greatly increase its visibility worldwide.

97. The overall budget level was exactly the same as the 1998-99 level and deserved total approval. The United States remained committed to meeting its obligations to international organizations in general and the ILO in particular. Work with Congress was under way to secure an acceptable arrears package which hopefully would allow the United States to pay its debts to the ILO and other international organizations. It looked forward to working with the Director-General on the evolving details of the programme and budget and once again he congratulated the Director-General, the Office and the Transition Team for their efforts in developing and proposing a workable budget.

98. The representative of the Government of Swaziland commended the Director-General and his team for the documents. The contents of the proposals were a true reflection of the fullest commitment of the Director-General, assisted by both headquarters and field staff, to lift the ILO to a level where member States and the world could see for themselves that the ILO was indeed a centre of excellence in its field. He agreed with the comments of previous speakers, particularly the coordinator of the African group, who had highlighted important concerns throughout the African region.

99. Paragraph 9 of the summary introduction of the Director-General presented an offer that Africa as well as Asia and the Pacific would under no circumstances resist. It was a pity not to have had it sooner. Africa and the Asian-Pacific region would undoubtedly pledge their support for the proposals. Africa, especially sub-Saharan Africa, was a victim of many social ills such as high population growth rates and significant levels of unemployment. The threat of the HIV-Aids pandemic permeated the whole of the south sub-Saharan Africa. The financial crisis in Asia was so devastating and far-reaching that all regions were at risk, and the ILO should take immediate remedial measures within its fields of expertise to address the problems they were facing.

100. The Director-General's budget proposals, in so far as they related to strategic and operational objectives, provided resources to combat the problems engulfing these regions and gave hope that they would be brought under control. The proposals also gave priority to the funding levels of the strategic objectives in respect to employment, social protection, and fundamental principles and rights at work and included reference to a new technical cooperation programme on training activities in Africa. Regrettably, more than ten countries in the African region were not included in this new technical cooperation programme. Millions of men and women, together with their children, were thus denied the opportunity to benefit from this technical cooperation because their countries had not had assistance from the ILO to complete their country objectives. Certainly, it had always been a prerequisite to have country objectives in place for a member State to be eligible for technical cooperation. But since the countries concerned had no capacity of their own to develop country objectives the Director-General should intervene and assist them during the remaining ten months of 1999, otherwise millions of men and women would lose opportunities in the next biennium. The outlook for better

financial resources was bleak because the ILO was operating with a zero growth budget, so it would be helpful if the Director-General could arrange help with writing up the country objectives.

101. The representative of the Government of Malaysia congratulated the Director-General for the new strategy approach in preparing these programme and budget proposals. The new approach was more focused and comprehensive, and he associated himself generally with the statement by the Asia and Pacific coordinator. The importance the ILO had attached to the issue of employment generation was clear from its allocation of 37 per cent of its resources for this activity in the coming biennium. This issue had become more important than ever in the Asia and Pacific region, because several countries which had enjoyed full employment for several years were now faced with double-digit unemployment as a consequence of the financial crisis. Massive retrenchment and lay-offs had contributed to this phenomenon and resulted in driving millions below the poverty line. The increased allocation of more than 37 per cent was well justified and it would be even more meaningful if a sizeable proportion of these resources could be channelled to the Asia and Pacific region by way of technical assistance. The increased allocation would certainly pave the way for greater industrial harmony and the effective operation of tripartism.

102. The representative of the Government of Japan welcomed the work of the Office in introducing a new concept of strategic objectives targeting priority needs. These strategic objectives in four areas corresponded to the outcome of the discussion of the last Governing Body and reflected the concerns of her Government. She expressed appreciation for the cross-cutting issues of development and gender and the introduction of InFocus programmes with clear links to the strategic objectives, and also for the principle of maintaining zero growth. The Office should continue its efforts to reduce expenditure through more effective management and by focusing on priority programmes: as previous speakers had pointed out, monitoring and evaluation were important mechanisms and it would be interesting to have soon detailed proposals for the new monitoring and evaluation system.

103. The budget procedure proposed by the Director-General for the 2000-01 biennium was very unusual since it was not the Governing Body but the Conference that was required to give final approval. However, it could be approved as an exceptional case on the understanding that the whole budget structure was being reviewed, and on the condition that the Director-General would continue communication and consultation with the members of the Governing Body. Finally, it would be useful to have some clarification on what kind of additional information would be provided in the June Conference, what could be decided at that time and what would be left for the decision of the November Governing Body. The Office should also provide the budget figures at programme level as soon as possible, as well as figures which would enable comparison of the proposed budget with the current biennium budget. In conclusion, she expressed appreciation and support for the work of the Office in the very limited time available for the preparation of the proposals.

104. The representative of the Government of China expressed appreciation for the concise and focused budget proposals, which at the turn of the new millennium were of great significance for the development and orientation of the

ILO. With the process of economic globalization, technological progress and other factors, major changes were already under way in the world of work. The ILO was also facing fierce competition from other organizations and in order to survive it had to provide satisfactory and high-quality services to its constituents, making its strategic objectives and programmes more responsive to the common needs of the world as a whole so as to promote economic development and social progress. He expressed support for the continuation of zero growth.

105. The strategic objectives and technical programmes to be strengthened should include employment and training, small enterprise development, social security development policies and gender issues. Priority should be given to employment promotion and poverty alleviation because they were fundamental to the ethos of the ILO itself. Right now they were the most severe challenges facing the world of work and if they were not resolved it would not be possible to really guarantee the basic rights of workers and promote social progress.

106. The proposal in paragraph 125, concerning evaluation of the results achieved in the regions and a review of the ILO's regional organizational structures, in particular a review of the regional coverage of MDTs, also deserved support. Through these actions the ILO's regional activities would be improved and provide more satisfactory services for its constituents. As pointed out on various occasions, Asia and the Pacific covered a wide area containing a large population. The three MDTs currently covering this area were inadequate to meet the needs of the region and the proposal last November to add more MDTs in some regions should be clearly incorporated in this programme and budget.

107. The proposal in paragraph 135 to enhance the rapid response capacity of the ILO also deserved full support. As an international organization with unique expertise the ILO should be able to react quickly in times of abrupt social and economic change and it should have reserve funds available for this purpose if necessary. As a concluding comment he expressed support for the Director-General's proposal to enhance the performance of programme activities by improving the present methods of monitoring and evaluation.

108. The representative of the Government of the United Kingdom congratulated the Director-General and his team for producing a strategic budget document that was considerably more readable than its predecessors. The structure was more logical, with operational objectives flowing from strategic objectives and in due course funding decisions flowing from these operational objectives. The zero nominal growth regime should continue, with cost savings reallocated to substantive programme activities where possible. The search for efficiency savings was not intended to cut the overall size of the Organization's budget, only to divert resources to priority areas. In summary, the United Kingdom Government was pleased to be able to support a zero nominal growth budget of $481,050,000 in which increased resources were devoted to priority programme activity.

109. The Director-General had asked for flexibility because of the unique circumstances pertaining to this budget. The Governing Body should agree. However, if the budget in June was to be approved without the fine detail the approval should be subject to a couple of caveats. First, it should be underlined that this should be a one-off. On this occasion the Governing Body could wait for the detail until November, but for future budget cycles there should be one strategic budget document presented to the March Governing Body with enough details and

quantifiable performance indicators to be approved in June. Second, if it was necessary to wait until November for the details of the budget, then some form of decision point would be required at the November session of the Governing Body.

110. Looking in more detail at the proposals in the Office documents, the four main envelopes corresponding to the main objectives of the Organization appeared to be based to a large extent on current expenditure. Without getting too specific just now, there should be a significant redistribution of resources when these indicative amounts were finalized in November, with more resources devoted to the first objective of promoting fundamental principles and rights at work. General management services remained outside the four main envelopes, as did policy-making organs and other budgetary provisions, which meant that around $124 million out of a budget of $481 million appeared to be spent on activities not directly related to the strategic objectives. There should be some sort of long-term integrated picture of regular and extra-budgetary funding. It was important also to ensure that extra-budgetary funds were spent in a manner consistent with the overall objectives of the Organization. This was particularly true with regard to the sensitive issue of the Follow-up to the Declaration. Between now and November more work should be done on producing quantifiable performance indicators for programme activity.

111. Finally, there should also be an effective monitoring and evaluation mechanism put in place so that the extent to which these performance indicators were being met throughout the biennium could be gauged. As others had pointed out, this was a fundamental cornerstone of strategic budgeting. However, none of these comments should detract from an overall assessment that the budget was a massive improvement on previous ones. The United Kingdom Government looked forward to working with the Director-General and the Office in the coming months to add the final details to this ambitious project.

112. The representative of the Government of Cuba congratulated the Director-General and his team for an excellent document with its innovatory approach to the presentation of the ILO programme and budget for the forthcoming biennium. Taking into account the changing circumstances in which the proposals were drawn up, the flexibility reflected in the document was appropriate. Having a clearer definition of terms had advantages for March budget discussions in the future, and would allow the June Conference to adopt more specific and detailed decisions. She was happy with the four strategic objectives and also satisfied with the InFocus programmes which highlighted the priorities within each strategic objective. They corresponded well with the mandate of the Organization. Employment and social protection were strategic objectives which had a prominent place at the Copenhagen Summit and the ILO should continue to stress measures necessary to achieve them. The process of globalization currently taking place in the world had a negative impact on employment and on workers' living standards and the fight against unemployment and poverty alleviation would contribute to a framework conducive to achieving the fundamental objectives of this Organization.

113. Promoting ratification of the fundamental Conventions by those countries which had not yet ratified them was an ILO initiative which should be stressed as a priority for ensuring the full application of the Declaration of Principles. She expressed support for activities which would contribute to the eradication of child labour and promote equality between men and women at work. She also approved

a gender approach to all programmes so as to strengthen the full application of the principle of equality between men and women. However, it would be useful to identify more clearly how and to what extent technical cooperation activities would be linked to compliance with the strategic objectives of the InFocus programmes because they should be an essential part of ensuring efficiency in technical cooperation. The possibility of reviewing country objectives would contribute to more effectiveness in the work of the multidisciplinary teams. Zero nominal growth did not necessarily mean cutbacks in resources allocated to priority activities, although it should lead to greater efficiency in evaluating the programmes and how they achieved their objectives. In this way, savings could be made which could be used to promote further the achievement of strategic objectives. Cuba had total confidence in the Director-General and his team and hoped they would be able to provide the clarifications requested of them so that the programme and budget proposals could be adopted with whatever adjustments were required to meet all the concerns expressed by Committee members.

114. The representative of the Government of the Republic of Korea congratulated the new Director-General and the Office on the introduction of a strategic budget for the first time in ILO history and which provided a clear direction to the ILO's Programme and Budget proposals for 2000-01. The strategic objectives of the fundamental principles and rights at work, employment, social protection and social dialogue were the key issues to be pursued in the next biennium. Since the World Social Summit in 1995 there had been vigorous debates on follow-up action, especially in the UN Committee on Social Development, suggesting that these debates be focused on employment promotion, protection of vulnerable groups and social welfare in recognition of the problems faced by many countries around the world. With issues like unemployment and poverty so widespread there was no doubt that employment generation had the highest priority of all. At this juncture, resolving the problem of unemployment deserved more effort and resources to be made available in order to maintain human dignity and to secure a strong basis for a better protection of workers. Meanwhile, the Asian region was home to a third of the world's poor and many of the countries in this region were now suffering from a serious financial and economic crisis, so there was a clear case for the ILO to direct more attention and support to alleviating poverty and improving the employment sector in the region. The ILO should also expand its regional cooperation programmes in the field of job creation and human resources development and increase the budget allocation for poverty alleviation programmes. Additionally, it should become more active in offering technical assistance and advisory services by fully utilizing the Active Partnership Policy and the multidisciplinary teams. When the Office finalized the budget proposals it should allocate more resources to making its activities more relevant to the situations and needs of the member States; to organizing feedback on progress in achieving goals; to accelerating the decentralization of ILO activities and focusing on developing regional networks for information exchange; and to building up the monitoring system for transparent budget operations, to ensure the flexible and timely adjustment of the budget and variations in budget spending.

115. The representative of the Government of Egypt thanked the new Director-General and his team for the documents now before the Committee. She supported the views expressed on behalf of the African group and was grateful for

the new trends adopted in the new budget proposals. It was of paramount importance to set strategic objectives which could become operational and be subjected to an evaluation and assessment of performance. The Organization should also concentrate more on development programmes and issues of gender equality. Economic and social development of course remained at the heart of ILO activities, with special emphasis on the specific needs of developing countries which were trying to create new employment opportunities and to combat poverty. The Director-General was right to direct more attention to Africa and Asia, as these two continents had special needs for development programmes. Cooperation and dialogue should be further enhanced between the ILO and other competent international bodies, because the international community as a whole had a responsibility to fulfil its commitments.

116. Technical cooperation would be dealt with extensively during the ILO Conference in June and the latest information available should be taken into account when preparing the final budget document. Technical cooperation programmes would continue to be a cornerstone in the Declaration of Principles, which in turn would promote the ratification of the fundamental Conventions including the Convention on combating child labour. The policy of active partnership was extremely valuable and this activity could do with an extra injection of finance, and for effective results country objectives should be translated into operational programmes and incorporated into technical cooperation based on the strategic objectives. The role of regional offices and MDTs needed reinforcing, with more experts being assigned to the MDTs, especially the MDT for North Africa as decided by the Governing Body. In view of the zero growth budget it was especially gratifying to see a slight increase in the resources to the African region, but still more technical support was required to help Africa confront the consequences of structural adjustment and globalization.

117. Activities defending the rights of workers in the areas of health and safety, the improvement of working conditions and social protection deserved full support. Tripartism was one of the unique features of the ILO and had been the driving force behind the social dialogue that characterized its work. This was reflected in the strategy adopted by the Turin Centre for the period 1996-2000, which was based on a sound methodology and new educational methods aimed at developing human skills and human resources and capacity building to further enhance technical cooperation activities.

118. The Office should make serious efforts to analyse the social and economic problems of today and the impact of globalization on the world of work. It should try to stay abreast of technological changes in the world if it was to be capable of responding to the crises that occurred all too often. It might be useful for the ILO to develop a strategy of public relations that led to a wider understanding of its work and the extent of its activities in dealing with employment issues and the struggle against social problems such as child labour.

119. The representative of the Government of Finland commended the Director-General, his team and the Office for the clarity of purpose and the sense of direction of the proposals. The vision that emanated from it augured well for the credibility and the visibility of the Organization. She expressed support for the statement of the IMEC group and assured the Director-General that his approach had the full support of her Government as well and responded to its expectations

on focused transparency and direction. Paragraph 21 of Volume 1 in particular presented the very serious concerns and anxieties of people, of workers and jobseekers worldwide. To be effective in addressing these issues in future the ILO needed to develop an independent capacity to analyse global trends, to see problems in an integrated way and to understand the processes within which its policy prescriptions would operate.

120. The representative of the Government of Brazil welcomed the document which reflected the expectations and opinions expressed during the discussions of the Governing Body at its previous session. He appreciated also the clarity and objectiveness of the document and welcomed its emphasis on four strategic objectives and the way their priorities were developed in the concept of InFocus programmes. He supported the proposal for a zero growth programme and budget, which took account of the serious financial and budgetary constraints facing many member States.

121. The priority given to development and gender issues should cut across all activities of the Organization, and attention to employment promotion and related issues, such as job creation, upgrading of the informal sector, vocational training, youth employment, more and better jobs for women, were particularly important. Of the four strategic objectives, employment was the one that was receiving the greatest amount of resources. He expressed agreement with the emphasis on this activity and also with the flexible timing for the finalization of the programme and budget, and was looking forward to the document to be presented in November with more specific figures and clear targets for technical cooperation programmes.

122. The representative of the Government of Mexico recalled that the presentation of a strategic budget was based, on the one hand, on the traditional practice of the Office in picking up elements from discussions in the Committee at previous Governing Body sessions and, on the other, on the vision, the experience and the desire of the new Director-General to apply a new formula to show in a more accessible way the criteria on which the budget was based. This objective had been fully achieved with the presentation of the document, particularly Volume 1, and he offered his congratulations to the Director-General and his team and indeed the Office as a whole, because this way of looking at things would ensure that clarity would be easier to achieve in the various stages of discussion of the budget. The introduction of the InFocus programmes would facilitate better interaction with the Organization's constituents and this in turn would allow it to achieve the best possible results. The proposal to monitor the results of the programme was very positive and would ensure good results in terms of clarity and transparency.

123. Even though three of the eight InFocus programmes covered employment generation he joined the many other delegates who believed it was necessary to increase even further the resources to be spent on employment-related programmes. For many countries this issue was the highest priority, and spending more resources on combating unemployment and poverty, dealing in particular with youth employment and with training in the areas where unemployment and underemployment were most prevalent, should be the primary objective. Gender and development issues had rightly been taken into account and would be included in the strategic objectives and priorities of the programme.

124. He expressed support for the vision set forth by the Director-General in the sense that the Organization should only commit itself to technical cooperation projects when it was based on solid information and finance was available from the regular budget. Financing from extra-budgetary resources should be fully in line with the pursuit of the agreed strategic objectives of the Organization and the Director-General was right to draw attention to the danger of getting tangled up in conditions which might be laid down by donors on the basis of their own special interests and which might lead to a watering down of technical cooperation activities.

125. The representative of the Government of South Africa endorsed the statement made on behalf of the African group and congratulated the Director-General for the very professional and imaginative manner in which he and his able team had presented the Programme and Budget proposals for 2000-01. Through this budget, the Director-General had put his fingers on the pulse of the momentous challenges that would face the ILO in the new millennium. This was a visionary budget and a firm basis from which to launch the Organization's future activities, and the shift from 39 major programmes to four strategic objectives was aimed at developing a strategic focus for the Organization rather than reducing the programmes envisaged. A multidisciplinary approach rather than a step-by-step approach should be pursued in the process of implementing these objectives, and it was important to keep this in mind in the process of making adaptations to the management structure. He agreed with the need to develop a rapid response capacity to deal with crises because early warning systems would assist developing countries in minimizing the costs of unforeseen circumstances. The recent financial crisis had underscored the need for such global early warning systems. The ILO should collaborate with other multilateral organizations in bringing help to countries in distress and should encourage a broad comprehensive approach involving other organizations so as to deploy the maximum possible resources to crisis situations. He also expressed his appreciation for the resource increases for regional programmes, particularly in Africa. This gesture, albeit symbolic, was welcome as it would assist African and other developing countries in their efforts to mitigate poverty and unemployment.

126. His Government shared the intention of the Director-General to make the ILO a modern, dynamic and adaptable Organization. The realities of the present-day world dictated that the ILO should continuously reflect on its role, the impact of its programmes and more importantly its relevance. Part of this renewal should include a systematic review of some of the bureaucratic organizational procedures which possibly prevented timely and effective responses to sudden changes in the world. This process of change should be reflected in the governing structures of the Organization, particularly the composition of the Governing Body.

127. The developmental rather than functional emphasis that the Director-General had presented in these proposals was of vital importance, as was the intention to mainstream gender and development issues in the ILO. The InFocus programmes would go a long way in realizing both the strategic and operational objectives of the Organization, because they had the potential to create greater awareness and visibility of the work of the ILO. Volume 2 was a useful elaboration of the programme and budget proposals covering governance, headquarters programmes, regional programmes, support services and management services, but

it would be useful to see in addition an explanation of how the ILO field structure, i.e. area offices and multidisciplinary teams, figured in the overall scheme of things. The Organization was decentralizing its work so subsections dealing with the field structure should be further elaborated.

128. At the 273rd Session of the Governing Body, several delegations, including his, had made their preferences known with respect to 23 action programmes that the Office had proposed. Somehow it seemed that these action programmes had either disappeared or been incorporated into other programmes, and if the latter was the case it should have been highlighted in the current proposals. Finally, he expressed his delegation's appreciation for the transparent manner in which the budget process had been conducted and hoped that this precedent would characterize similar processes in the future.

129. The representative of the Government of Spain supported the statement made earlier on behalf of the countries of the IMEC group. He mentioned that in paragraph 90.20 of Volume 2 there was a reference to a much appreciated publication, the *Encyclopaedia of Occupational Health and Safety*, the fourth edition in English of which would be shortly updated and a French version published, accompanied by a CD-ROM. This information should be completed by adding that a version was also available in Spanish. A specific agreement on cooperation on publications had been signed between the International Labour Office and the Government of Spain. Under the terms of that agreement, the Spanish Labour Ministry shouldered responsibility for and financed the production of the Spanish language version of the *Encyclopaedia*. The first two volumes of the Spanish version had appeared a couple of months earlier. Copies had been provided to the former Director-General and a number of other high-ranking officials. The Spanish version of the next two volumes would be published shortly. This information was interesting and useful, not only for governments but also for workers' and employers' organizations. In Latin America, where Spanish was also spoken, there were employers' and workers' organizations which made frequent use of the Spanish version of the *Encyclopaedia*.

130. The representative of the Government of Nigeria endorsed the statement made on behalf of the African region and joined those who spoke earlier to congratulate the Director-General for presenting the Programme and Budget proposals for 2000-01 with very laudable innovations. The clear and transparent proposals were an expression of the Director-General's vision for the future of the ILO.

131. The ILO should make itself more visible, authoritative and effective in its actions through improving internal efficiency so there should be greater visibility of the Organization amongst its UN constituents. Developing countries would do all they could to help in this process. Nigeria commended the efforts of the Director-General not only in ensuring that Africa received a fair share but also in making a token increase in the total allocation for Africa in spite of the fact that the budget was based on zero growth. The proposed priority for Africa should be meticulously implemented and he supported the idea that the priority programmes to be pursued for Africa would be determined on the basis of country objectives within the context of the four strategic objectives, with special emphasis on the implementation of the Jobs for Africa programme and the promotion of tripartism and social dialogue. He called for additional resources for the Turin Centre and the

African Regional Labour Administration Centre (ARLAC), with a view to meeting the challenges posed by Africa's enormous need for national capacity building. He ended by reassuring the Committee that Nigeria would continue to support the good work of the ILO.

132. The representative of the Government of Chile congratulated the Director-General and his team on the presentation of the document. In a very short time, they had prepared an excellent piece of work, presented in a new format and a new structure. The definition of strategic objectives was the main virtue of the document, which was clearer and easy to read and analyse.

133. The second virtue was that it made the budget a powerful management tool. The establishment of strategic objectives made it possible to see how far they were being complied with and to measure their impact. In future it would help set management or performance indicators for the various programmes, thus improving transparency. It would help to plan the budget more efficiently, and measure not only the quantity of the expenditure but also the way in which it was being made and how effective it was. With these strategic objectives, constituents could analyse how effectively money was being spent by the Organization, an important control in the phase of budgetary execution, and only made possible by the structure based on strategic objectives that was presented in the proposals. His delegation shared the objectives entirely. This was not only because they added to clarity or reflected the majority opinion but also because the strategic objectives should at a specific moment reflect the mission of the ILO at that time. The strategic objectives were not an end in itself for the ILO: they were set at a specific time, in specific circumstances, to reflect the mission of the Organization. The Director-General had clearly described that mission in paragraph 22 which showed that all strategic objectives were inextricably linked to the historic mission of the ILO right now, on the threshold of the twenty-first century. The InFocus programmes also reflected the strategic objectives and the mission of the Organization and contained useful extra information. He supported the allocation of resources as described in the programme and budget proposals, and the continuation of the zero nominal growth regime. These proposals were much more transparent and this alone would help to achieve the strategic objectives.

134. The representative of the Government of Colombia congratulated the Director-General on the Programme and Budget proposals for 2000-01. It was a clear, concise document based on a strategic approach for the next millennium. The essential issues it included were: the promotion of fundamental principles and rights at work, the creation of new opportunities for generating decent employment and increasing workers' income, improving social protection and enhancing tripartism and social dialogue. These were issues of much interest not only for developing countries but for the ILO membership as a whole. In a globalized economy the ILO had to be capable of dealing with problems in an integrated fashion and of seeking social justice, dignity at work and redistribution of wealth.

135. Colombia recognized and supported the need to be flexible on the budget since there were issues which still needed to be reviewed by the Governing Body, such as, for example, the follow-up mechanism to the ILO Declaration on Fundamental Principles and Rights at Work, the Active Partnership Policy, technical cooperation structures and the new Convention against child labour. Flexibility was also needed so that the Organization could respond immediately to

unexpected occurrences and crucial situations. A constant process of consultations was therefore essential to maintain the strategic approach to the present programme and budget and to enhance cooperation for developing countries and countries in crisis.

136. The ILO was making a major attempt to make better use of its resources under a zero growth regime. The way the budget had been structured emphasized two issues of particular importance, the creation of better opportunities for men and women so that they might have a decent job and increase their income from it and the achievement of social protection for all. These were issues to be taken into account to tackle the major work-related problems facing the world at the end of this century. Although it would be preferable to see a greater increase in resources for the regional programmes it was satisfying to see that the allocation for special expenditure was maintained so as to deal with unforeseen circumstances which might occur during the course of the biennium.

137. The representative of the Government of Peru felt that the Director-General and his team had provided an excellent document containing the Programme and Budget proposals for 2000-01. It highlighted four clearly defined strategic objectives and the InFocus programmes, and the way the document had been prepared enhanced its clarity, transparency and efficiency. It reflected the objectives of the ILO and its constituents, and also took account of the global economic climate. He as pleased to express support for the emphasis on evaluation and the introduction of gender and development as cross-cutting themes, and agreed to the need for a flexible timetable on this occasion for approving the programme and budget.

138. The representative of the Government of Slovakia congratulated the Director-General on the document prepared with the help of the Transition Team and the Office. The new approach involving four strategic objectives reflected the wishes of ILO member States and would be a useful management tool in the next biennium. Nevertheless there were some shortcomings in the proposals and they should be corrected in due course. As mentioned already by the representatives of Croatia, Poland and Hungary, there was a particularly complicated economic and social situation in the countries in transition in Eastern Europe. They needed to be more actively involved in technical and regional programmes and this should be reflected in a higher budgetary allocation for this region.

139. The representative of the Government of Uganda associated herself with the statement made on behalf of the African group and congratulated the Director-General and his Transition Team, as well as the Office, on the Programme and Budget proposals for 2000-01. The document was user-friendly and focused, and reflected the Director-General's vision for the ILO for the start of the next millennium. The spirit of transparency should continue with the implementation of the programme and be characterized by continuous dialogue with the different constituencies. In expressing support for the four priority areas and the importance of strategic objectives, she welcomed the gender mainstreaming for future ILO programmes and believed this was a move in the right direction.

140. Africa remained today a region with a high debt burden, a low investment rate, low productivity, rapid population growth, high incidence of unemployment and deepening poverty. Governments were making serious efforts to adapt their economies to the changing global environment, but the ILO had an

important role to play in assisting them to meet the challenges of a new global world economy. She welcomed the resource increase, small though it was, for the regional programmes, and agreed that underlying structural and social causes of global social problems could not be tackled only with ILO policy instruments or technical cooperation support. It would need the concerted effort of all parties concerned to solve the problems of the different regions and the ILO should strengthen cooperation with the Bretton Woods institutions and other relevant UN agencies in order to create an environment for technical assistance to yield optimum results. She commended the Director-General's initiative for the ILO to develop an independent capacity to analyse global trends and to develop its capacity to respond to the needs of constituents. A proper analysis of technical cooperation and proper utilization of the unique tripartite nature of the ILO would go a long way to help it fulfil the four strategic objectives laid out by the Director-General.

141. The representative of the Government of Namibia endorsed the African position and joined other speakers that had fully supported the initiative of the Director-General to present a budget in terms of strategic objectives. He associated himself with the four strategic objectives, but more emphasis had to be placed on employment, specifically employment creation and poverty alleviation. Under this strategic objective some mention was made of the effects of globalization but the negative effects of globalization, or rather, measures to counteract them, were not receiving enough attention. It was important to realize that globalization in several ways undermined the key objectives of the ILO such as employment generation, poverty alleviation, and so on, and the ILO, together with other institutions, should develop and budget for specific strategies to deal with mass retrenchments as well as subsequent reskilling and training needs and other consequences of globalization.

142. His own country was experiencing some of the negative consequences of globalization such as increased unemployment, continued poverty and an increased disparity between the poor and the rich. Other countries were in a similar position and the ILO should devote more resources to helping them.

143. The operational objective in respect of capacity building was laudable enough but the problem in many developing countries was to retain those who had been trained. To do so more emphasis should be placed on an approach to improve and then retain the knowledge base in developing countries. The Turin Centre would be able to play a valuable role in such a programme.

144. Maintaining a zero growth budget for too long could result in a trend where more and more strategic objectives and projects would have to be funded from extra-budgetary resources. The Office should be careful to resist pressure to give way to donors who had different priorities to the ILO.

145. The representative of the Government of Pakistan complimented the Director-General and his staff for presenting a new approach in the ILO programme and budget for the biennium 2000-01, and particularly for allocating almost 30 per cent of the total budget for employment promotion programmes. Allocations to the regions had been almost equally distributed to the three main regions, and although this was probably based on criteria such as population, geography, per capita income, unemployment levels, literacy, number of available projects, etc., the basis for such allocations needed to be described in more detail in the budgetary proposals to be considered later.

Discussion on Volume 1

Strategic Objective No. 1

146. Mr. Blondel, speaking on behalf of the Worker members, made the following observations concerning Strategic Objective No. 1 and fundamental rights at work. In particular, the Worker members would have liked the document to recall that the effective recognition by member States of the fundamental principles and rights at work was a commitment undertaken by a vote on behalf of all governments.

147. He added that the ratification and strict application of the seven fundamental Conventions and the gradual abolition of child labour, beginning with the elimination of the worst forms of this work, were very laudable objectives and that progress towards these goals should be evaluated on a periodic basis.

148. He noted that the document no longer referred to the possible establishment of an office responsible for the follow-up to the Declaration.

149. He said that the Worker members endorsed the proposal of two strategic programmes to promote and realize fundamental principles and rights at work and to achieve the gradual elimination of child labour. He hoped that the ILO's dialogue with regional and international financial institutions would also include other international organizations such as the WTO, the Office of the High Commissioner for Human Rights, UNCTAD, UNDP, etc. In this connection, he asked the Director-General to ensure that the commitment contained in paragraph 4 of the Singapore Declaration concerning collaboration with the WTO was respected.

150. Furthermore, he requested the ILO to launch an intensive programme of research on the effects and consequences of globalization and to propose measures to ensure that globalization of the economy brought fruits and benefits to workers and their families.

151. He emphasized the satisfaction of his group that the Director-General was promoting the ratification and application of the seven fundamental Conventions and emphasizing the need for countries which had not yet ratified the Conventions to give effect to the fundamental principles and rights reaffirmed in the Declaration. He supported the proposal for a study on the impact of the ILO supervisory machinery on freedom of association, to be published on the occasion of the fiftieth anniversary of the Committee on Freedom of Association. He would have preferred the document to have reflected the cases of serious infringement of fundamental rights which had occurred. He added that the Worker members had no doubt that the Director-General would clearly express his determination to fight the systematic infringement of trade union rights.

152. As regards the gradual elimination of child labour, Mr. Blondel insisted on the need for governments to ensure compliance with legislation respecting the minimum age for employment, and noted that poverty alone could not explain the employment of 150 million children. He urged governments to deal vigorously with employers who made use of child labour.

153. Mr. Blondel concluded by emphasizing the need to carry out a study on globalization and multinationals with a view to determining their implications and consequences on the application of fundamental standards. As regards forced labour, he regretted that the document did not refer to Convention No. 29.

Furthermore, he emphasized the importance of paragraph 37 and recalled in this connection the Worker members' attachment to the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) and the need for national law and practice to comply with labour standards.

154. Mr. Marshall, on behalf of the Employer members, said that the Workers' remarks in respect of multinationals needed some comment and would be dealt with under Strategic Objective No. 2 where the majority of the issues related to employment. Research by the ILO had shown very clearly that multinationals were organizations which in most developed and developing countries provided the highest standard of conditions in the areas of concern and in particular child labour. Thus it was domestic operations which should be the target. In this respect he believed that it was essential not to confuse the base issue with the politics of globalization. Two points needed to be addressed under Strategic Objective No. 1. Firstly, there was the need for separation between operational objectives 1(a) and 1(b). The promotion of the Declaration and the pursuit of ratification of fundamental Conventions were important areas of activity. However, their activities should be seen as being of a different nature. The promotion of the Declaration was in fact really oriented towards advocacy and based on political activities and policies, whereas the ratification of core Conventions involved more the consideration of legislative frameworks. These were two distinct and important operations which must be kept separate, and indeed, as the Workers had pointed out, the follow-up to the Declaration was an important area that required a separate unit within the Organization. It should be seen as a separate major programme in itself outside the operation of the standards programme and department. It was very important not to allow the emphasis on or pursuit of objective 1(b) to detract from countries' abilities to actually adopt the principles contained within the Declaration under 1(a). Nor should the prescriptive side of Conventions be allowed to interfere with a country's desire to adopt the principles within the Declaration, and so separation was absolutely critical. Everyone was committed to the Declaration, and in particular the Employers who had been instigators of its development. It was critically important that sufficient human resources be allocated to the promotion of the Declaration, including resources in respect of ACT/EMP and ACTRAV activities. The second major area which the Employers wished to address concerned 1(c), namely the IPEC programme. It was very important to strengthen the tripartite governance of IPEC activities, since the programme had outgrown its current governance and possibly its management structures and had now become a major activity in its own right. The evaluation of practical activities in this respect should be carried out on a tripartite base. With specific reference to paragraph 39, the Employers believed there was a difficulty with what they saw as a confusion between three different areas: the new Convention on child labour, Convention No. 138 and the Declaration. Although these were three important areas, it was vital that they were not confused and seen to be one. One omission in the document in this respect was the need to place major emphasis on education and training opportunities for working children.

155. The representative of the Government of India reiterated his appreciation and support of the four strategic objectives set out in the document. With regard to Strategic Objective No. 1, he welcomed the statement in paragraph 25 that the follow-up work on the Declaration was not a substitute for the established

supervisory machinery for ILO standards. Technical cooperation should be the means of action for achieving Strategic Objective No. 1. The purpose of the follow-up to the Declaration was not only to identify the areas requiring technical assistance, but to evaluate the benefits of assistance made available. The ILO should continue to stress that the Declaration and its follow-up should not be used for protectionist purposes and there should be cooperation with national governments with a view to identifying obstacles to the implementation of the Declaration. He was apprehensive about seeking donor assistance for member States to fund projects relating to the Declaration. The important and sensitive issue of promoting fundamental principles and rights at work should not be left to the fancies of a donor-driven agenda, and funds for this core programme should be identified and provided for from the regular budget as far as possible. He endorsed the proposal that dialogue with the international financial institutions would be intensified with the view that their policies were supportive of a promotional approach to fundamental principles and rights at work. The implementation of fundamental principles and rights at work at the national level needed to be promoted through social dialogue and established procedures and mechanisms. Technical assistance to promote social dialogue through tripartite institutions at national level was essential and in this regard he welcomed the proposal in paragraph 36 concerning training for ILO constituents. Progress on the abolition of child labour was an important component of Strategic Objective No. 1 and he appreciated the emphasis placed by the ILO on resolving this social problem that affected millions of children. He attached great importance to the proposed programmes to promote decent employment and to support families and to establish social protection through IPEC to provide alternatives for the affected children and their parents. However, although IPEC had been attracting funds from various external sources the donor-driven mechanism in a social problem such as child labour did pose a risk of misuse for the accumulation of political and economic gain.

156. The representative of the Government of Argentina said that the Director-General should be given some degree of flexibility regarding the allocations for each of the strategic objectives and in particular Strategic Objective No. 1. It was clear that the follow-up to the Declaration implied not only new activities but a different weighting within the Organization concerning the promotion of the fundamental principles and rights at work. The Governing Body was to discuss and take decisions on matters concerning the follow-up to the Declaration and the Director-General should be given some leeway to make changes in the amounts allocated on the basis of the decisions taken as well as analyses and evaluations, including informal consultations with members of the Governing Body. Although the order of presentation of the various strategic objectives did not necessarily mean any particular hierarchy, the primary objective for the ILO was Strategic Objective No. 1 which provided the means for implementing the basic values inherent to the Organization.

157. The representative of the Government of Germany said that Strategic Objective No. 1 was of particular importance because it touched on the very core of what the ILO represented in the world. He endorsed the earlier remarks of the Workers and Employers that it would be good if such activities were carried out by a special structure within the ILO. However, although the implementation of the

Declaration was not the same thing as compliance with Conventions, there was a certain linkage between the two, firstly through the presentation of respective reports and secondly, because support measures under the Declaration in a State which had not ratified an important Convention might one day lead to ratification by that State. In referring to paragraphs 38 to 42, he fully endorsed the support expressed by the Committee for the IPEC programme and the introductory statement by the Director-General that the basic activities of the programme should receive sufficient financing from the regular ILO budget. In other words, the costs of IPEC staff at headquarters should be paid in full from the regular budget and not from the programme.

158. The representative of the Government of Japan said that the follow-up activities of the Declaration on the one hand and standard-setting and the supervisory activities on the other were the two major pillars of the ILO's work in promoting labour standards in the world. Regarding the former, she stressed that the promotional nature of these activities should be firmly maintained in order to retain strong and wide support among countries at different stages of development. Regarding the latter, there was a greater need for the review of existing standards than for the development of new standards, since more fundamental and flexible standards would enable their further ratification by other countries. She also emphasized the need for greater transparency in the supervisory process.

159. The representative of the Government of France said that Strategic Objective No. 1 was essential to the Organization in its core activity of promoting international labour standards. These had been given a new lease of life by the adoption of the Declaration which was both an instrument of action and a synthesis of the Organization's *raison d'être*. Although each of the strategic objectives had its own importance, he wondered what the cost of promoting the Declaration would be, in so far as it was a new activity. Another question concerned the future role of the ILO's day-to-day work concerning standards which were not "fundamental". IPEC was another important aspect in the promotion of fundamental principles and rights at work. The programme was exemplary not only in its objectives but because it acted as a sort of laboratory for the ILO. It had acquired a very high profile in a very short period of time and there had been a substantial inflow of funds. Those in charge often had to improvise and the programme itself was different because of its almost exclusive use of extra-budgetary funds and cooperation with multilateral institutions. There would shortly be a global assessment of the programme and in line with earlier speakers he believed that regular budget funds should be injected into the programme. Finally, he asked for clarification of the amounts of $27 million and $43 million in respect of extra-budgetary resources for Strategic Objective No. 1, respectively, contained in table 5 of Volume 1 and Information Annex No. 5 in Volume 2.

160. The representative of the Government of the United Kingdom recalled her earlier remarks on the vital importance of Strategic Objective No. 1 and the need for more resources for it. As regards operational objective 1(a), she endorsed the focus on technical cooperation activities to support the Declaration, although support would be needed from other programmes as well. As mentioned in paragraphs 29 and 30 the ILO should work together with other international and regional organizations to promote the Declaration's principles and rights because it could not be implemented by governments on their own. In particular, assistance

should be provided to promote socially responsible business, not just in relation to multinational enterprises, but all business, including beyond the domestic level, since advances in technology meant that small and medium enterprises were sourcing from suppliers in the developing world and could have an influence there. There should also be substantial regular budget funds allocated to the InFocus programmes, the objectives of which needed to be refined before extra-budgetary funding was sought, but the funds should be spent in a manner consistent with the ILO's strategic objectives. In this context, and with regard to operational objective 1(b), the United Kingdom would continue to support funding for relevant activities, in particular the *More and Better Jobs for Women* project.

161. It had recently announced its intention to ratify Convention No. 111. As regards operational objective 1(c), she endorsed the remarks of previous speakers concerning the importance of providing sufficient funding from the regular budget for the IPEC programme.

162. The representative of the Government of Canada also stressed the importance of Strategic Objective No. 1 and its three operational objectives, where more resources were needed. Operational objectives 1(a) and 1(b) represented different aspects of essentially the same issue, and different approaches, one promotional and the other legal and more supervisory, should be maintained. She welcomed the visibility given to the Declaration, both as an expression of a strategic objective and as an InFocus programme, and attached special importance to paragraphs 29 and 30, which clearly stated that the implementation of the Declaration should involve all ILO means of action as well as the promotion of its principles with other multilateral organizations. The implementation of the Declaration and the InFocus programmes would need sufficient resources from both regular and extra-budgetary funds, and there should be coherence between the use of both. The management and follow-up to the Declaration should be carried out by a responsible and accountable senior management, but these aspects needed to be looked at in light of the general management restructuring within the Office. Child labour was another priority for Canada and it endorsed the prominence given to it by operational objective 1(c). She also agreed with the proposed evaluation of IPEC activities, believing that the management of IPEC needed to be reviewed and examined, but once again this should be set within the general management review and restructuring which the Director-General proposed to carry out. However, she shared the views of other speakers that both IPEC as well as all the InFocus programmes should have both regular and extra-budgetary funding.

163. The representative of the Government of Mexico said that it was very important for Strategic Objective No. 1 to receive the fullest possible support within the Organization. This meant that the Declaration and its follow-up had to mark a response to the trust shown by constituents. It had to preserve its strictly promotional objective. The funds assigned to this would have to be used in a fully transparent manner, and no stage in the process nor its outcome should be linked, directly or indirectly, with possible trade measures.

164. The representative of the Government of the United States expressed strong support for Strategic Objective No. 1, which reflected one of the ILO's long-standing and key areas of mandate and expertise. It was satisfying also to see that the first operational objective and its accompanying InFocus programme concerned the implementation and follow-up of the Declaration on Fundamental Principles and

Rights at Work, for which full funding should be provided from the regular budget. However, the specific details of the follow-up were inappropriate for consideration just now and would be dealt with later by the Governing Body. She joined other speakers in expressing strong support for the ILO's activities with regard to child labour, particularly the IPEC programme, which should be allocated staff resources from the regular budget.

165. The representative of the Government of Egypt said there was a consensus on the need to respect labour standards, promote the ratification of Conventions and fulfil the objectives set forth in the Declaration on Fundamental Principles and Rights at Work. The follow-up to the Declaration should be of a purely promotional nature, with the details to be examined by the Governing Body later. However, he emphasized that there was no need to add new bureaucratic layers in the follow-up process, which could be dealt with within the existing structures of the Organization, and in particular within the framework of technical cooperation activities and active partnership policies. As regards the WTO, there was no consensus regarding a common initiative with that or any other organization aimed at convincing them of their responsibility for the implementation of the Declaration. This was purely and simply the responsibility of the ILO and, given the broad common understanding on labour standards and on the Declaration on Fundamental Principles and Rights at Work, efforts should be concentrated on the common ground which had been established. The Declaration should not be used for protectionist purposes.

166. The representative of the Government of Italy expressed his support for the programming set forth in operational objective 1(a), although it was not easy to see how the financial means could be provided and what the cost would be. Regarding operational objective 1(b), Italy had ratified all seven fundamental Conventions and was endeavouring to have them implemented in the best possible manner, not only nationally but through its relations with other international organizations.

167. A representative of the Director-General (the Deputy Director-General responsible for Standards, Sectoral Activities and Labour Relations), in reply to a question from the Workers, agreed that discussions about fundamental Conventions should include Convention No. 29, as well as others, such as Nos. 105, 87, 98, 111, 100 and 138. Convention No. 144 was a priority Convention but not one which was classified as a core Convention. In response to a question from the Asia and Pacific group concerning the location of the follow-up of the Declaration, the working hypothesis on which the text had been prepared was that the follow-up was a multidisciplinary exercise and would not be located in the Standards Department. This was made clear by the description on technical programme 50 on international labour standards and human rights in Volume 2 of the programme and budget proposals. As regards another question from the same group concerning the need to avoid duplication between operational objectives 1(a), 1(b) and 1(c), he recalled the remarks by other speakers and previous sessions of the Governing Body, to the effect that the ratification campaign of the fundamental Conventions was a separate exercise and would continue as such from the follow-up to the Declaration. The follow-up would certainly have to draw upon knowledge and experience acquired through IPEC and other work on child labour but it would not duplicate or replace that work. IPEC could not, as it were, be required to take new work upon itself

because of the follow-up to the Declaration — although that process might identify activities which either were already carried out by IPEC and could be further developed, or which could and should be carried out with the assistance of IPEC and within the IPEC framework. However, the relationship between 1(a), 1(b) and 1(c) had to be one of synergy and complementarity, each with its own specific identity. In reply to an observation by the Government member of India concerning the reference, in the InFocus programme on the progressive elimination of child labour, to national and sectoral plans of action, he said that the sectoral plans were a recognition of the fact that the worst forms of child labour were evident in certain sectors and that experiences could be used across the sector. However, this was not a reference to industry-specific initiatives, which took place following an express desire by the industries concerned and with their full involvement — and generally with their participation in financing — but they were not crafted and executed in a manner which was alien to the mandate and the principles of the ILO.

168. A representative of the Director-General (the Director of the Bureau of Programming and Management), in reply to a request for clarification of the amounts of $27 million and $43 million in respect of extra-budgetary resources for Strategic Objective No. 1 contained in table 5 of Volume 1 and Information Annex No. 3 in Volume 2, explained that the Information Annex grouped together all the extra-budgetary resources allocated to child labour, whereas in table 5, a large part of technical cooperation activities financed from extra-budgetary resources and focusing on child labour appeared under Strategic Objective No. 3 concerning social protection.

Strategic Objective No. 2

169. Mr. Marshall said that the Employer members regarded Strategic Objective No. 2 as the most important of them all given the present state of the world economy. Looking at the introductory page he wondered why it should contain a quotation from the World Social Summit. Surely the ILO should be driven by its own mandate. Of course it was useful to acknowledge the Social Summit's wishes to see the ILO carrying out work, but it would be more appropriate to lead with a quotation from the ILO's own Constitution which read "to further amongst the nations of the world programmes which will achieve full employment and the raising of standards of living" followed if necessary by the Social Summit statement.

170. Unfortunately this was not the only problem with terminology. The repeated use of the adjective "decent" in relation to work raised the presumption that some work was indecent. What did these words mean? Work should be a lawful activity so there was no need to be judgemental in stating that some jobs within a society were decent while others were indecent, provided they were within the framework of the law. Similarly, the use of the word "decent" when followed by the word "income" was a cause for concern. Where legally applicable levels of wages were being applied for different levels of productivity and skills there would be different remuneration levels. The Employers wondered whether moral judgements should be ascribed to income levels and whether it was necessary to determine what was decent or indecent. Over the years several descriptions had been used for the process of shifting people out of unemployment and potential poverty into productive activity with a career path and on a freely chosen basis.

The continued use of subjective language could be open to misinterpretation and for this reason the Employers suggested the phrase "freely chosen and productive employment" be used, even if it was a little more boring and not quite as exciting.

171. The Employers supported the comments in paragraph 54, in particular those concerning customer responsiveness and the identification of issues critical to customers. They took account of information received from constituents and would provide the Office with a good target to aim at. The Employers supported the InFocus programme described on page 25. Employment-intensive investment was an important and valuable tool, particularly in times of crisis, but it still had to be efficient and cost-effective. Nor should investment be aimed exclusively at employment-related activities. All investment was valuable in terms of both wealth creation and employment generation. The issue was one of balance.

172. The Employer members were at a quandary about operational objective 2(b) in paragraph 61 on employment-friendly enterprise development. It might be a useful objective, but the Employers believed that employment resulted from an enterprise-friendly environment. That was a slightly different concept, but employment generation was impossible without it. The ILO should not simply be targeting employment-friendly enterprises, and a proposal to include another objective on promotion of an enterprise-friendly environment would be tabled. Again there was a question of terminology. Did being an employment-friendly enterprise mean retaining employees in unproductive positions or downsizing in order to preserve a business and its remaining employees? A business should not be branded as employment-unfriendly by the mere fact, for example, that market-related factors forced a company to retrench in response to issues outside its control. Care should be exercised with the use of this term "employment-friendly" and what it implied.

173. Turning to paragraph 62, the Employers did agree that it was important to have some form of equitable sharing of gains from productivity, but a more responsible approach, for the purposes of job creation, could be to retain and reinvest within the company the gains from increased productivity rather than withdraw them for distribution outside the business.

174. Referring to paragraph 63, it should be clearly understood that cooperatives were voluntary groupings that worked together to achieve added value through their collective work, and that emphasis needed to be placed on their voluntary nature. It would be unwise to give them differential treatment, because if any sector came to rely on support it would be extremely difficult to grow without it. Equal treatment for all sectors was very important.

175. The Employers could not agree with the last few lines on page 29: "... and since the ILO cannot reach the population of small firms as a whole, institutions which can multiply these services have to be created and nurtured". ILO constituents in fact had very wide networks and contacts with a range of other organizations. Instead of creating new bodies the ILO should first ensure that the extensive networks of all its constituents were utilized to the full.

176. Paragraph 66 referred to the upgrading of the informal sector, but there did not appear to be any reference to a resolution that had been adopted by the Employment Committee that two of the prime requirements in respect of the informal sector were to raise their capacity and also to remove the legislative and

regulatory constraints on access to the formal sector. It was not simply a question of trying to make informal workers part of the existing regime; it meant looking at existing conditions to see whether it would be possible to make it easier for them to move into the formal sector. Work on this issue had already been done by the Employment Committee and it should be more fully reflected in this operational objective.

177. Employer members had no difficulty with the first part of paragraph 72, but the last sentence therein, "Research will be undertaken on the changing impact of multinational enterprises on employment in order to enhance the capacity of the ILO constituents to influence policy related to foreign direct investment", was unsettling. The positive effect that multinationals had on the world economy as a whole and on the economies of countries in which they operated should not be overlooked, and it was probably true that they offered better than average job security and conditions of employment. Few would argue about the economic benefit of their activities so it was not easy to understand why the ILO wanted to influence policy related to foreign direct investment. The ILO should proceed carefully. In principle, investment should be encouraged, but tying it to job creation criteria could be counter-productive.

178. The Employer members again wished to put forward the possibility of introducing a new operational objective aimed at developing an environment for employment creation. Research and programme development could be undertaken on how that environment might be affected by the current review of standards, the promotion of appropriate economic policies both at the macro- and micro-level, regulatory frameworks, labour market flexibility, labour costs and, finally, the very important issue of education and training. Ideally there should be a stand-alone objective aimed at the removal of economic and political barriers within national economies with a view to promoting employment generation in the private sector. Achieving this aim would require some research and the transfer of some existing programmes to this objective.

179. Mr. Blondel, speaking on behalf of the Workers, first of all made some observations on the statement by Mr. Marshall and proposed that the Governing Body should, at the appropriate time, engage in a substantial debate on the responsibility of enterprises as regards employment. He also spelled out what the Workers understood by "decent" employment, namely, properly paid employment in a job which was not dangerous, a job which was regulated by standards, including the standards of the country in the event of collective bargaining. The Workers believed that it was difficult to accept the usual wording about employment which was freely chosen or accepted when the scope of unemployment meant that employees were not on an equal footing with their employer enabling them to accept or refuse a job. He suggested that thought be given to the wording to be used in this respect, but recommended prudence and, above all, the need to discuss these matters with all the groups.

180. He continued by saying that he did not believe in the theory about dismissing workers as a means of improving recruitment. As regards Strategic Objective No. 2, which included six operational objectives and three InFocus programmes, he expressed the Workers' satisfaction that the strategic objective was not focused on the promotion of just any kind of employment. He recalled the Workers' view that the concept of employment should be linked with the idea of a

decent income, i.e. the importance of the quality of the employment to the quantity of employment, because the Workers unanimously believed that the promotion of mediocre and low productive jobs which were sometimes dangerous and without social protection would be a repudiation of the intrinsic values of the ILO.

181. He also emphasized that the Employment Policy Convention, 1964 (No. 122) should be the point of reference of this strategic objective, and referred to the need to promote Recommendation No. 189 concerning the general conditions to stimulate job creation in small and medium-sized enterprises to take account of the conditions which guaranteed for all enterprises the application without discrimination of labour legislation and the respect of fundamental rights. He added that Strategic Objective No. 2 should be closely linked to the first strategic objective concerning fundamental principles and rights at work.

182. Mr. Blondel expressed the Workers' regret that it had not been possible to reach an agreement or consensus on the Convention or even the Recommendation concerning contract labour, since this was a problem for small and medium-sized enterprises. Contract labour often resulted in enterprises which no longer applied any standards and it was this which the Workers wanted to denounce.

183. He expressed the Workers' satisfaction with the proposals for follow-up meetings in the year 2000 to the World Summit for Social Development and the Fourth World Conference on Women. The ILO should play a leading role in the preparation of these two meetings and produce high-quality reports to mobilize international opinion and achieve positive results. Furthermore, the Workers had noted with satisfaction the assurance given by the Director-General that the *World Employment Report* would remain the star publication of the ILO, and additional resources should be allocated to its production. He explained the Workers' attachment to this publication which contained analyses and controversial ideas highlighting for example that the growth of employment, at the structural level, was sometimes the result of the disappearance of jobs due to technological progress.

184. Referring to paragraph 66 of the document dealing with the formal sector, Mr. Blondel requested that assistance be given to trade unions to enable them to train and recruit workers in this sector. He also asked for efforts to be focused on the establishment of closer links between enterprises in the informal sector and modern enterprises so as to encourage them to respect rather than circumvent international labour standards. Each time enterprises in the informal sector became parties to sectoral collective agreements, a significant step forward was being made. He also expressed the Workers' satisfaction with the Director-General's intention of giving special attention to ILO activities concerning migrant workers. The Workers had for some time noted the apparent marginalization of the ILO branch which dealt with questions of migrant workers and efforts should be made to encourage the ratification and application of Conventions Nos. 97 and 143 concerning the protection of such workers.

185. With reference to paragraph 72 of the programme and budget proposals, Mr. Blondel noted a reduction of resources allocated to activities concerning multinationals in recent years. He emphasized that the Workers were very much interested in these questions. These enterprises were the driving force of globalization and the Workers believed that their activities should be analysed

throughout the world, not only to identify their positive effects but also their negative effects on workers' rights.

186. Mr. Blondel also referred to the relationship which sometimes existed between multinational enterprises and governments, whereby their establishment in a given country was sometimes conditioned by the fact that labour standards there could be circumvented. He insisted that the Workers wanted to analyse both the positive and negative aspects of these arrangements and to be able to express their views on the subject and participate in these analyses. He concluded by saying that the Workers believed that a special effort should be made to promote the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

187. The representative of the Government of India had already underscored the high priority that should be given to Strategic Objective No. 2. But without losing sight of this goal it was also important for the ILO to take a careful look at how employment related to other strategic objectives if it wanted to maintain its place as the lead agency on employment matters. The Employers were right when they said that social progress and growth were contingent on employment generation; and job losses seldom meant better conditions for those remaining. In practical terms progress toward other strategic objectives would depend closely on progress toward Strategic Objective No. 2. Both the ILO Constitution and the World Social Summit gave the ILO a mandate to focus on employment generation as a top priority. It was somewhat ironic that the employment situation in most parts of the world had worsened after the adoption by the Copenhagen Summit of the goal of full, productive and freely chosen employment for all.

188. As paragraph 43 of the document mentioned, achieving the goals of decent living standards and social development was a chimera in the absence of productive employment, so the ILO should give priority to high-quality research on effective policies and programmes to promote employment around the world. Publication of the *World Employment Report* made the ILO's work visible and authoritative so it would be useful to undertake and publish research on the changing impact of the multinational companies and foreign direct investment on employment in member countries, in order to enhance the capacity of ILO constituents to influence policies at national and international levels.

189. He expressed support for the measures to equip ILO constituents with the tools to analyse labour market developments and to negotiate effective employment promotion policies and programmes and he looked forward to seeing more details on these programmes at the November 1999 Governing Body session. The informal sector was an integral part of the urban economy of many countries, and its enormous potential for job creation was well understood. New efforts were required to understand how it fitted into the urban economy as a whole and how its largely unrecognized and invisible workforce could be given better working conditions. Opportunities now existed for new forms of employment creation through outsourcing and the informalization of work previously carried out in the formal sector. This trend also provided new opportunities for promoting linkages between formal and informal sectors. Operational objective No. 2(b) would play a role in this process by strengthening rural enterprises and community-based public infrastructure work.

190. Today, it was the large businesses and enterprises that were facing retrenchment and job losses, whereas small and medium-sized enterprises all over the world were generating opportunities for gainful employment. The InFocus programme under operational objective No. 2(b) concerning employment generation in the informal sector and in small and medium enterprises would play a crucial part in progress toward Strategic Objective No. 2.

191. The representative of the Government of Bangladesh expressed the view that employment-intensive investment was a priority which the ILO should continue to support. With recent downsizing and a shortage of resources, many governments could do little in the public sector to create jobs. Business should take advantage of its greater mobility and capacity for rapid response to play a more prominent role in employment generation and economic growth.

192. The representative of the Government of Italy welcomed the fact that over $50 million of extra-budgetary funds had been added to the technical programmes for employment and training and enterprise and cooperative development (indicated in Volume 2 of the proposed programmes 60 and 65). The outcomes of these activities would be a good test of the effectiveness of the ILO's technical cooperation work. Other programmes deserving full support were research activities, the collection and analysis of statistics, the dissemination of information, the publication of manuals, publicity programmes and exchanges with the media. The willingness of the ILO to provide assistance in a variety of ways which suited the needs of regions and countries individually was one of the most valuable features of its work.

193. ILO activities to foster employment would need to be organized first with governments because of their direct control over public works programmes. Cooperation activities could also assist enterprise development at both the national and international level and this would become even more vital in view of the changes that would affect employment in the year 2000 and beyond, such as globalization of economies and technological progress in general. This support and the activities undertaken in conjunction with others would not succeed overnight. He also expressed support for the activities to expand job opportunities for women and also their financing in favour of women, the disabled and less-favoured population groups. Tackling such problems in coordination with other international bodies was a necessary but long-term process in which the ILO could be relied on to achieve results through its technical cooperation and other activities.

194. The representative of the Government of Egypt emphasized that employment proposals were a priority for all developing regions on the basis of three important points: (1) the ILO needed to play its part in coping with the rapid changes in labour markets and their impact on employment and social policy; (2) the study of labour markets with the support of relevant statistics was fundamental for labour planning; and (3) focusing on training of human resources was important in order to address the problems of employment. She expressed full support for the Office's new initiative to highlight the role of human resources development and training, and emphasized that the social reintegration of redundant workers resulting from restructuring, the concentration on cooperatives and small enterprise development, and inclusion of the informal sector and the issue of youth employment were crucial parts of this process to improve employment. It was

probably even more important to develop labour-intensive new programmes for countries emerging from conflicts or living in extreme poverty.

195. The representative of the Government of Germany was happy to support the increased share of the budget given to the promotion of employment and the avoidance of unemployment worldwide, not by means of numerous, expensive high-level meetings providing magic formulas but through practical action to eliminate the negative and boost the positive factors influencing employment generation. Training was of decisive significance in avoiding unemployment early on in people's careers and he wondered why no mention of specific coordination with UNESCO in the Volume 2 proposals on this issue had been made. In reference to the forthcoming major UNESCO Congress on Training in Seoul, he sought the Office's further clarification of the ILO's involvement in this work and its impact on the Programme and Budget proposals for 2000-01, and looked forward to this information during the next Governing Body meeting in November 1999. Also on that occasion the Office should clarify its statement concerning support for "potential migrants and returning migrant workers" (Volume 1, paragraph 68). His Government also expressly supported access to more and better jobs for women (Volume 1, paragraph 65). Resources for assistance to countries emerging from conflicts should be increased — the continents singled out, Africa and Asia, were not alone in deserving attention.

196. The representative of the Government of Japan called for further cooperation between the ILO and all international financing institutions for all strategic objectives, but particularly with respect to No. 2, employment generation. The ILO's strength was not as a funding organization but as a knowledge-based advocate in international society. Such cooperation, however, should not be conditional; the non-observance of core labour standards or non-ratification of certain ILO Conventions and Recommendations should not obstruct the availability of finance for these programmes.

197. The representative of the Government of the Republic of Korea felt that, following the Copenhagen Summit, the ILO could best play its leadership role to promote full employment (Volume 1, paragraph 46) if it: (1) ensured transparency in all its activities, avoiding wasted resources; (2) worked on creating a synergy with the Bretton Woods institutions and United Nations Commission for Social Development; and (3) focused on providing timely and flexible responses to emerging needs, which was a key element to success.

198. The representative of the Government of China thought that Strategic Objective No. 2 provided the ILO's employment promotion work with a good framework. He invited the Director-General in his next submission to the Committee to translate this into concrete work activities, paying special attention to coordination to avoid duplication so that the constituents received value for money. On a point of language relating to the Office's motto for employment, he questioned the use of the word "decent" in English and suggested changing it for another word.

199. [This paragraph has been deleted.]

200. The representative of the Government of the United Kingdom was pleased with the content of this strategic objective. Last month the G8 employment ministers had called for strategies that supported employability, promoted

entrepreneurship, enhanced adaptability of workers and firms and ensured equal opportunities for men and women to participate in the world of work. The InFocus programmes addressed these issues. The InFocus programmes would cover job creation through technical support and advisory services for small enterprise development, including help for the informal sector, investing in knowledge, skills and employability and targeting programmes to help the disadvantaged in the labour market. These were in keeping with the pattern which has already been established in other forums, such as the OECD and the European Union. That did not mean that the ILO should not involve itself in this work. Indeed the ILO had a bigger stage than any other with a great deal of information about training systems and qualifications in different countries, as well as the ability to bring together governments and representatives of Employers and workers from a very wide range of countries at different levels of development. The ILO should exploit these advantages. It should be able to establish methodological frameworks of evaluation in these areas to help dissemination of best practices. There was a reference to such a framework of evaluation under the InFocus programme on investing in knowledge, skills and employability, and it should be applied to all programmes. The InFocus programme to aid recovery and reconstruction was also a welcome development and would now be discussed in other meetings as well. However, concerning operational objective No. 2(f), globalization and multinationals, she remarked on the apparently different interpretations of Employers and Workers but also failed to find any reference to governments' action in this respect and requested elucidation from the Office.

201. The representative of the Government of France found the programme and budget proposals, and specifically Strategic Objective No. 2, very different from the past yet worthwhile supporting for their concrete and pragmatic approach to a wide range of issues and activities. He asked therefore what was missing. He made a number of suggestions: that perhaps in future the problems of youth employment could become a specific, separate programme, that the image and reputation of the ILO and its work, its "savoir-faire", could be enhanced through wide support, development and wider distribution of the *World Employment Report*. He added that the ILO's contribution to the World Employment Forum required careful formulation regarding its impact on public relations. To fulfil its "leadership" mandate from the Copenhagen Summit, the ILO needed to identify the added value it could bring to its programmes on employment promotion.

202. The representative of the Government of Malaysia welcomed and supported the InFocus programme on investing in knowledge, skills and employability: skills were frequently made obsolete by rapid technological change, and lifetime learning was hence essential and had become the norm, requiring perseverance and persistence of employers and workers alike. Resources for training were however frequently cut. In Malaysia employers now had a statutory obligation to contribute to a common fund managed by a tripartite council which reimbursed the cost of training provided by employers. Employers were hence encouraged to provide training, and the system had worked well. The fund also provided training for retrenched workers in certain fields.

203. The representative of the Government of Namibia said that operational objective No. 2(e), affirmative programmes for disadvantaged groups, was a high priority for his country. Nonetheless, he considered that the relevant paragraphs

(68-70) should explicitly exclude any inference that positive action could be introduced on tribal grounds.

204. The representative of the Government of the United States expressed support for this strategic objective, a programme relevant to all Members of the ILO. The InFocus programme on investing in knowledge, skills and employability was certainly appropriate in the face of increasing globalization, because continuing training and skills development would be critical to ensuring that workers had the ability to adjust rapidly to changing labour markets. The ILO's work to ensure more and better jobs for women deserved full support, as did the incorporation of gender into all aspects of the ILO's work.

205. It would be useful to address the question of the environment for employment, and this could properly include a consideration of macroeconomic policies related to employment and labour. However, there was a danger that the ILO could be stretching beyond its mandate to some degree with respect to macroeconomic policy-making especially with regard to infrastructure development and the establishment of employment investment policy planning units in several countries. The ILO should be encouraged to work closely with other organizations to ensure that its particular expertise could be deployed in the most effective way.

206. The representative of the Government of Swaziland very much appreciated the programmes under Strategic Objective No. 2. When placed in an African context, these proposals aimed at job creation for men and women, especially disabled people, rural women, and the young and would be of enormous benefit. The linking of employment creation to eliminate poverty also indirectly addressed the problem of child labour, as poverty itself was a breeding ground for this problem. Concrete achievements in programmes for employment generation would make IPEC's task easier. As a concluding remark he agreed with the Employers' comments concerning the word "decent" and suggested that an alternative be found.

207. The representative of the Government of Hungary said that items such as small enterprise development and support were crucial to create jobs in his country. He supported the targeted programmes in favour of youth and disabled groups and awaited detailed information on these programmes.

208. The representative of the Government of Peru considered that the proposals on employment, and particularly technical cooperation to support job creation and women's activities to find work, should be given the highest priority. Small and medium-sized enterprises represented over 90 per cent of the labour market in his country and produced about 75 per cent of GNP. The very heterogeneous nature of this sector demonstrated its high potential as well as the difficulties it faced. In view of their importance these programmes together with training activities should be given full support in the programme and budget.

209. Mr. Blondel wished to reiterate the Workers' reservations about this programme. As the representative of the Government of Sweden had said, the ILO could indeed study problems such as the Asian crisis and discuss economic forecasting and analysis with other financial organizations such as the IMF and other experts in the field. The Workers would be happy to support the Director-General in this challenge, but the ILO should remember that its special expertise

was the field of employment and this was where its resources could be most effectively used.

210. A representative of the Director-General (the Assistant Director-General responsible for ILO activities with enterprises) pointed out that during the last two years and in the International Labour Conference ILO constituents had shown their sensitivity to the need for a conducive environment for enterprise development and job creation in their discussions on Recommendation No. 189. Those discussions provided a policy framework to enhance employment promotion in accordance with the principles enshrined in the international labour standards.

211. Employment creation was clearly an important element in ILO activities. The Employers were concerned with matters of competitiveness and productivity to ensure that enterprises would have a viable and long-term presence in the market. The Workers on the other hand were concerned with good working conditions and the protection of workers' rights. The challenge to take these concerns into account provided an opportunity to find innovative solutions for enterprise development and employment creation.

212. Several speakers had expressed concerns about the quality of jobs and the importance of giving attention to gender issues. Within the framework of the InFocus programmes for boosting employment through small enterprise development, job quality, as well as gender, were themes running through all the activities under the InFocus programme.

213. A representative of the Director-General (the Director of the Development Policies Department) remarked that many points of general policy had been raised and many had occupied much time during the transition period. Of those, two points were extremely important. The first concerned where the ILO could make a difference in the current macroeconomic management debate. The ILO should have "a place at the table" by bringing concrete approaches to macroeconomic issues which took into account employment creation and income maintenance as objectives of economic policy. The second general point was that the four ILO strategic objectives should not be seen in isolation, as the ILO's objectives could be only attained through synergy among these strategic objectives. It was noted, for example, during the Asian crisis, that a major missing link was that of social protection, and that made the social impact of the crisis worse than it would otherwise have been. This suggested that economic and social policy should go hand in hand.

214. The Employer members had raised a specific point concerning the informal sector and the equality of employment. The Office was fully aware of this concern and assured the Committee that a new approach to the informal sector was being developed, one which took fully into account the concerns of upgrading the productivity of the informal sector and ensuring worker protection. Such an approach would also address the conditions of work, a matter raised by the Worker members. As regards the point on employment-intensive programmes, raised by the representative of the United States, the main objective in that regard was to make sure that government policies took account of ILO priorities and that investment decisions promoted employment as much as possible. The ILO provided policy advice and was not involved in downstream operations. Collaboration with international financial institutions was very close. For example, in Africa, where the bulk of this programme was undertaken, the ILO collaborated closely with the

African Development Bank and the World Bank in creating social fund-type institutions.

215. Another representative of the Director-General (the Director of the Employment and Training Department) thanked delegates for their very useful comments, most of which supported the general direction of this programme. In reply to the query about the ILO's cooperation with UNESCO in the area of vocational training, the Office had held consultations already with that organization to look at ways that collaboration could be improved and strengthened. The Second International Congress on Technical and Vocational Education, to be held in Seoul in April, would be a good opportunity for continuing that process. The ILO itself would be playing an active role in that Congress, and was charged with making a keynote speech relating to the most recent *World Employment Report*. In addition, it would be organizing one of the main sessions at that Congress, dealing with the role of the social partners in the design and implementation of vocational training.

216. In reply to the query from the representative of the Government of France concerning the preparation of the World Employment Forum, in the next 18 months there would be three major ILO conferences on employment policy. In November of this year, there would be an international consultation to follow up on ILO work on the Social Summit, and this conference and its outcome would serve as major input to the Special Session of the United Nations General Assembly in June 2000, which would focus again on employment policy as a follow-up to the World Social Summit.

217. Apart from these two major conferences, decisions would be needed on activities to be promoted at the World Employment Forum. An excellent suggestion had already been made by the United Kingdom representative to have a Forum concentrating on best practice in the employment policy field.

218. A representative of the Director-General's Office replied to comments concerning objective 2(f) and to reservations expressed about paragraph 72 of Volume 1. The first part of this objective, set out in paragraph 71, referred to the macroeconomic work proposed on globalization and regional integration, and that work was intended for the benefit of the constituency at large. Paragraph 72 was intended to reflect the ILO's intention to help the workers' and employers' organizations on more specific aspects of the impact of regional integration and globalization but in view of members' comments might be relocated elsewhere in the programme and budget to those parts dealing more particularly with activities strengthening the role of the social partners.

219. The Director-General stated that the mandate for Strategic Objective No. 2, which reproduced Commitment No. 3 of the World Summit for Social Development, was formulated in this way because it was important to point out that the ILO had a global mandate for this work. Instead of highlighting the mandate as the ILO's own, it appeared better, from a political point of view, to say that it had become a global mandate, something which the world community was acknowledging. It was very important for the ILO, even in terms of the Declaration, that the Social Summit gave an indication concerning the desirability of promoting the goal of full employment because it was linked in the Social Summit to the way in which working conditions and workers' rights should be dealt with. The mandate itself was formulated in traditional ILO language, so it was not

as if the ILO were receiving a different mandate from the one stated in the Constitution.

220. Referring to the term "decent" employment used in the text, he explained that this meant that in order to have decent work, one had to find work first. This highlighted one of the highest priorities in the ILO, the promotion and creation of employment. Speaking about decent work also related to other commitments, in Strategic Objective No. 1 concerning basic rights at work and Strategic Objective No. 3 on social protection. Furthermore, the ILO could point to its attachment to social dialogue, through tripartism, which also strengthened measures to obtain decent work, and the traditional language of "freely chosen productive employment" was reflected in the text. Finding the right language was not always easy especially in view of the need to synthesize in a 30-second spot on television what the ILO was about.

221. In reply to comments concerning ILO's involvement in economic analysis, the Director-General said that it had the capacity and responsibility to ensure that macroeconomic policy reflected social considerations, particularly in regard to structural adjustment processes. The historical approach to economic analysis had changed not because of the logic applied by macroeconomic thinkers but because some people outside that process had been pointing to the effects of the policies on the lives of people. New ways were being found to achieve macroeconomic objectives, in ways that were more sensitive to the consequences for the individual. Conversely, when social policy was promoted there had to be awareness of the economic implications in order to assess accurately the impact of those social policies. This information upgraded enormously the ILO's knowledge base and its capacity to hold dialogue with other bodies. However, the ILO's mandate and its knowledge base did not necessarily give it a monopoly on these issues. The ILO's policies were successful only because they were forceful, on target, correct and practical; and to achieve these results it concentrated on projects, on delivery in the field, on who did what, and on where the resources came from. There was no comparative advantage in the field of ideas. The ILO's principal task was to be relevant on social issues: but it would succeed only if its work was of the highest standard.

Strategic Objective No. 3

222. Mr. Blondel, for the Workers, said that the text of Strategic Objective No. 3 showed no reference to labour inspection, the application of the labour code or labour administration, and should be revised to include them. They were happy that safety, health at work and social protection for all were included among the five operational objectives, also that there were two InFocus programmes dealing respectively with security and productivity through safety and health at work and economic and social security in the twenty-first century. The statistics were frightening and it was only natural to be astonished that the 250 million work-related accidents every year, of which 335,000 were fatal, had not roused the international community. The Worker members fervently hoped that the objectives outlined in the text would be achieved but in protecting the safety and health of workers it was also necessary to protect the environment, especially the working environment, and they could only express once again their concern about the feeble interest in the environment and sustainable development shown by the Office. The

ILO should develop its activities in this regard and be more serious about its responsibilities. Research should also be undertaken on the consequences for employment of implementing the conclusions of the Kyoto Conference on climate change.

223. The ILO should do more with regard to the protection of wages: the problem of non-payment of wages to workers in certain countries, including those of Eastern Europe, was enormous — millions of workers were not paid regularly and this constituted a flagrant violation of Convention No. 95 on the protection of wages. However, the results expected from the implementation of the InFocus programme on economic and social security in the twenty-first century looked encouraging at this stage. The comparative analysis to identify the main forms of insecurity and the factors producing or intensifying them was extremely important as it would result in a compendium to identify, describe and evaluate a full range of possible initiatives and options. Likewise, the publication of an international report on socio-economic security would enhance the prestige and authority of the ILO in this area. It was clear that the ILO would have to meet the World Bank for discussions on this subject because it was known that the Bank had serious objections to the effectiveness of universal social security, particularly in regard to pension funds. The Office should develop its thoughts on this subject and become more active so as not to cede ground to international financial institutions on this issue.

224. Operational objective No. 3(a), dealing with international labour standards on working and employment conditions, reassured the Worker members on a crucial point. It was important that adequate resources be given to achieve this operational objective, but the promotion of the Declaration on Fundamental Principles and Rights at Work should not be undertaken to the detriment of the promotion of international labour standards. Resources for this work, including funding for the International Institute for Labour Studies, should be increased. The Workers were also concerned about the plight of associations in the informal sector which were given little credit for their work. Several of them had been created to enjoy benefits from donors but very often their action was ineffective and not followed up, so they could not be substitutes for genuine, strong and independent trade unions.

225. The Worker members welcomed the proposal to organize a meeting of experts to follow up the resolution adopted by the Conference on contract labour. With regard to discrimination suffered by migrant workers the Office should ensure follow-up to the recommendation of the meeting of experts concerning the pattern and practice studies of migration in certain countries. In regard to operational objective No. 3(e), the ILO should undertake studies on the effects of globalization at the social level and in the world of work, and it should devise policies and measures to protect workers against the consequences of this phenomenon.

226. Mr. Marshall, on behalf of the Employer members, expressed appreciation for the refreshingly clear interpretation of the ILO's future direction given by the Director-General. The ILO had a clear mandate from the Declaration of Philadelphia that could be added to that given by the Social Summit in order to strengthen its mandate universally. It was critically important to measure the social impact of economic measures: but it was equally important to look at the economic impact of social measures and balance those interests. To do so the ILO should

have the internal expertise to be involved credibly in the analysis of both economic and social implications of policies or measures being pursued.

227. The InFocus programme on economic and social security in the twenty-first century would be a very useful programme, but within it more account would have to be taken of some of the far-reaching economic changes taking place at present and their effect on issues of social security. A balance was required between individual responsibility and collective responsibility and there should be some acknowledgement of the very serious problems faced by constituents concerning the cost of social security programmes. Research should look at innovative alternative approaches rather than be based on preconceived ideas of the principles of social security.

228. In respect of paragraph 76 the Employer members supported the remarks of an earlier speaker that emphasis should be placed on the revision of existing standards before considering the development of new standards. In respect of paragraph 78 there was no disagreement with the ratification of certain sectoral Conventions but there appeared to be a tendency to develop specific conditions for different sectors rather than develop appropriate standards that applied to all. The ILO should be careful to guard against this trend and to follow a consistent approach to the development of standards.

229. In paragraph 88 the Employer members concurred with the Workers' view that it was appropriate to include in this document provision for a meeting of experts in respect of the ongoing debate on contract labour. However, there should be no assumption that the meeting would proceed to a discussion on standard setting.

230. In respect of paragraphs 90 and 91 many member States may need to broaden the application of their social security base while others may need to shrink it. Operational objective No. 3(d) related to member States broadening the scope of social security systems, but the text referred throughout to social protection and not social security. This terminology should be corrected.

231. In relation to operational objective No. 3(e) an earlier speaker had referred to a bias against globalization. Certainly the first paragraph reinforced the notion of globalization as a negative phenomenon with the use of such terms as "cheap foreign labour". This was a wholly inappropriate approach and could even imply that the research activities referred to had a predetermined outcome.

232. The representative of the Government of India expressed support for the proposal made under Strategic Objective No. 3. There would be detailed discussions in a symposium on the Asian financial crisis and the challenge for social policy, and those discussions would reflect on the observations made in the paper on the subject commissioned by the Office. The paper pointed out that in many countries of the region the social safety net of unemployment benefit and unemployment insurance had been absent, and that most of the job losses were concentrated in sectors that unemployment insurance would have covered. Unemployment insurance systems were an important social security measure, and the ILO should develop programmes to promote the concept of unemployment insurance and then to incorporate them in the detailed programmes under this strategic objective.

233. The representative of the Government of Germany observed that this strategic programme combined two areas that should be kept separate. It made no sense to combine working conditions and occupational safety and health in the workplace together with social security because protection of the worker was not limited to the workplace and conditions of work; it extended much further and covered, for instance, the social risks of illness, loss of job or age. The technical and medical protection of work and working conditions was the larger part of this programme and of the four operational objectives, Nos. 3(a) and (d) concentrated on this area. In both there were passages concerning labour standards: a certain number of Conventions had been highlighted but perhaps not all of them were really the central instruments. The Plantations Convention (No. 110), the Rural Workers' Organisations Convention (No. 141), the Safety and Health in Construction Convention (No. 167) and the Safety and Health in Mines Convention (No. 176) were certainly most important but the more general Guarding of Machinery Convention (No. 119) or the Occupational Safety and Health Convention (No. 155) were not mentioned.

234. In the field of social security regular employment was one of the best ways of preventing poverty for the individual and his family, and social security schemes could give some help to the unemployed. New schemes for social protection were being developed to provide coverage to disadvantaged groups in the informal sector and rural areas, which in many countries, particularly the Third World, had practically no coverage at all. The ILO should be careful not to enter the field of social aid because other organizations would have the impression that it was encroaching on their particular field.

235. The representative of the Government of Egypt observed that social protection had become particularly important after the appearance of globalization, the increasing flexibility of the market economy and the prevalence of social and economic insecurity had led to gaps in the social security system. Strategic Objective No. 3 complemented Strategic Objective No. 2, as the former focused on the protection of workers in hazardous occupations. It was vital for the ILO to review employment-related standards in order to develop not only criteria for protection but also criteria that recognized the dangers posed by new technology, with special attention to safety and health in small and medium-sized enterprises, including the informal sector and the agricultural sector. Labour inspection activities should cover small and medium-sized enterprises and take into account the negative impact of restructuring policies on vulnerable groups of inhabitants. The ILO could provide valuable services to those groups that did not have sufficient protection and it should also offer actuarial and statistical support to countries in need of it.

236. The representative of the Government of the United Kingdom said that recently her country had hosted a seminar for the Transition Team on this subject which had proved interesting and informative. The proposal for the InFocus programme for economic and social security in the twenty-first century was especially welcome for the proposed research to establish indexes and the proposal to examine innovative schemes and compile some sort of policy compendium. During the meeting it became evident that people thought about social security mostly as something which had to be established by governments as a universal entitlement at a certain level. There had been comments about community action

and self-reliance in relation to the work of the Self-Employed Women's Association in India. Social security schemes should aim at more than that but it was a start for countries without the financial means to provide decent coverage at national level. The InFocus programme for this objective deserved the strongest support. It was not sufficient just to have information and to make it available through the Internet. Much more valuable would be training for ILO staff in the field so that they could use modern technology to access information, interpret it and make it available in different parts of the world. Only the ILO was equipped to carry out this work properly.

237. The representative of the Government of the United States expressed strong support for the InFocus programme on economic and social security in the twenty-first century, which was presented well and with the promise of concrete products. She agreed with the previous speaker that this information should be widely promoted, not just by ILO staff in the field but in work with other UN agencies and with the international financial institutions. She expressed support for the proposals in paragraphs 76-78, also the further discussion of international labour standards and the ongoing work of the existing supervisory machinery. For Strategic Objective No. 1 on the Declaration the intention was for existing supervisory machinery not to be supplanted. It was appropriate to reinforce that notion here and to stress the continuing importance of the supervisory mechanism and of the other standards.

238. The representative of the Government of France remarked that the discussion on conditions of work, the protection of workers at the workplace and their social security was original and interesting both as to substance and as to form. There appeared to be little mention of labour inspection and labour administration except by implication and it would have been better to make them more explicit. The STEP programme described in Volume 2 in paragraph 110.9 and for Africa in programme 250.20 was aimed at improving and expanding social security systems for new risks and new categories of the population: extending coverage of social security as a safety net should become a priority among the social programmes negotiated with donors.

239. A representative of the Director-General (the Director of the Department of Working Conditions and Environment) considered that there was solid support for the strategic objective generally and in particular for the operational objectives for working conditions and environment, and also occupational safety and health. Labour administration and labour inspection had been regarded as fundamental to the promotion of occupational safety and health and conditions at work and as underlying features of the InFocus programme on SafeWork. To address the concerns of the Committee it might be better to make that assumption explicit in the later revision of this document and that would be done. There were two aspects for the ILO on environment issues. One was the economic and employment implications of environmental change, and the second was the implication for the environment of events in the workplace, such as the introduction of new chemicals and major industrial disasters. Further work was planned on both issues. The link between employment and environmental change was an area which the Transition Team had identified as one of the frontier areas for future work by the ILO, and the intention was to develop this concept further with a view to including it in the later revision of the programme and budget document.

240. Changes in the workplace and their implications for the environment would be examined in more detail, particularly the implications of the introduction of new processes and of major industrial accidents for the environment. The work would focus on setting criteria for the determination and identification of major hazards, and the harmonization of labels, particularly chemical labels. The comments of the Employers concerning paragraph 95 would be carefully considered. An examination of the economic impact of social policies was identified by the Transition Team as particularly relevant to the development of the InFocus programme on SafeWork. Areas for future work to be addressed included the costs of occupational accidents and diseases, and the economic implications and cost-effective methods of introducing of improvements in working conditions.

Strategic Objective No. 4

241. Mr. Marshall, speaking on behalf of the Employer members, observed that paragraph 97 seemed to suggest that the Employers were not wholly supportive of the business environment they were working in. This would create a misleading impression — certainly there were new challenges, but they brought with them new opportunities and the Employers would like to see this included in the text. They were naturally pleased to see an emphasis placed on the activities of employers' organizations, but if the ILO was serious the Governing Body would need to ensure that both employers' and enterprise activities, particularly the Bureau for Employers' Activities in the Office, were given sufficient resources to carry out their work. Paragraph 101 contained references to workers' organizations which should logically be part of the following section. Paragraph 109 also seemed to have a problem of focus because transnationals — or multinationals, as they were sometimes known — were highlighted as being some sort of special case. The Governing Body had already decided that issues related to codes of behaviour and the like should belong in the Enterprise and Cooperative Development Department and be applied generally in discussions on enterprise. The activities of the Multinational Enterprises Branch, through the application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, were well organized and producing good results. Paragraph 110 was rather confusing because it seemed to look at the feasibility of adopting new international labour standards without saying what they were for. It would be useful to have some clarification before discussing this matter in more detail.

242. Mr. Blondel, on behalf of the Worker members, observed that Strategic Objective No. 4 included two operational objectives concerning capacity building for employers' and workers' organizations, and establishing machinery for social dialogue and consensus. Of course, the Workers were pleased about the addition of this strategic objective they had requested in addition to the three others requested in November 1998 because it recognized more clearly that tripartism was the foundation upon which the ILO's mandate stood. It gave the ILO an original, unique and specific character within the United Nations system. For too long, the principles and values of tripartism had been neglected, and the time had come to breathe new life into the practice of tripartism and social dialogue. The proposals made in paragraphs 97 to 107 and the InFocus programme *Strengthening the social partners* would reinforce the capacities and skills of workers' and employers' organizations.

243. But tripartism and social dialogue could only succeed and have some meaning at the international level if they were supported at the national level by the social partners of each member State. Unfortunately, little attention had been paid to the need to establish new mechanisms for social dialogue or to find consensus or negotiation at the national level. Tripartism could become the cornerstone of the multidisciplinary teams and the Active Partnership Policy, and greater efforts should be made to maximize the opportunities offered by tripartism and social dialogue to tackle the great issues in the world of work. International trade secretariats could play a major role in sectoral meetings and provide a strong stimulus for social dialogue in their respective sectors. The ILO, for its part, could contribute greatly to this process as well by setting up an appropriate framework for exchanging views and information among tripartite constituents in different economic and industrial sectors. This work could be boosted enormously by contributions from the Turin Centre and the International Institute for Labour Studies.

244. The ILO should do more to promote the Tripartite Consultation Convention, (No. 144), perhaps by including promotion work in the operational objectives in some form. The first sentence in paragraph 98 also should be clarified. It was extremely doubtful whether governments carrying out privatization always referred to labour ministries to ask about the consequences of these projects. These decisions were economic in nature, and were usually taken well before discussions with trade unions.

245. Finally, the Employers had spoken about resources for employers' organizations, which could be translated as the provision of funds to professional associations or employers' unions. Employers' and workers' organizations were funded in quite different ways: trade unions were financed by contributions from members, whereas employers' associations were funded by standing orders from enterprises based on salary levels and total payroll. The effectiveness of the two organizations was directly related to their levels of funding and this was a question the ILO should consider in more detail at some stage.

246. The representative of the Government of Argentina recalled his Government's statement about Strategic Objective No. 4 at the November 1998 session of the Governing Body. Dialogue should be a tool for achieving the Organization's objectives rather than an objective in itself. Nevertheless, his Government had stated then and now reiterated that, in view of its importance within the Organization, this could legitimately be considered a strategic objective. As well, the InFocus programme should include activities to strengthen the capacity of governments in industrial relations discussions. As a final comment and with regard to programmes connected with the strategic objective, probably the most important would be those concerning activities in the area of labour relations, especially the prevention and resolution of labour disputes referred to in paragraph 80.16. Research and development by the ILO of dispute settlement and prevention machinery, particularly legal machinery, could make a valuable contribution to improvements to procedures.

247. The representative of the Government of Poland fully supported this strategic objective, which was particularly important for preventing social unrest connected not only with economic transformation but also with modernization and reconstruction, both of which resulted in increased unemployment and the need for

retraining. With assistance from ILO headquarters and the multidisciplinary team based in Budapest, Poland had initiated programmes aimed at the creation of active tripartite and social dialogue machinery. However, much remained to be done, particularly concerning the precise role of the social partners and tripartism. He fully supported Strategic Objective No. 4 and hoped that fruitful cooperation with the ILO in this field would continue.

248. A representative of the Director-General (the Director of the Industrial Relations and Labour Administration Department), in reply to the Employers' question concerning the possibility of adopting new international labour standards, pointed out that paragraph 110 was a shortened version of proposals contained in major programme 80 in Volume 2. They concerned new standards not on social dialogue and collective bargaining in general, but on the specific area of labour dispute prevention and resolution. With regard to the Workers' query on the use of Convention No. 144 on tripartite consultation relating to international labour standards to promote tripartism, she confirmed that the reference to Convention No. 144 was extremely well placed. In the daily work of the Organization, especially in implementing the Active Partnership Policy and in the work of the multidisciplinary teams, Convention No. 144 could be used in practice as an entry point to promote tripartism in a broader sense. The tripartite bodies established under Convention No. 144 often tended to become a forum for tripartite discussions on other issues of labour and social policy.

249. Replying to comments concerning labour administrations, she recalled that tripartism required the existence of a third pillar, in addition to workers' and employers' organizations, in the form of a labour administration system and a ministry of labour or relevant ministry, to promote social dialogue and contribute to policy-making in labour and employment programmes as described in the programme and budget proposals.

250. Mr. Blondel, on behalf of the Worker members, said that paragraph 110 referred to specific measures to encourage effective social dialogue, but care should be taken to ensure it did not provide a roundabout way of again putting into question the free exercise of the right to strike.

The Turin Centre and the International Institute for Labour Studies

251. Mr. Anand (Employer member) observed that the Turin Centre had already taken initiatives in response to suggestions from the Employers' group to develop linkages and collaborative relationships with training institutions having similar objectives in the regions. The objective was the more efficient use of financial and human resources to proclaim the benefits of training activities. An experiment along these lines in New Delhi had proved most successful and should be adopted in other regions as well. As a result of its work the Turin Centre had already established a reputation for excellence in the United Nations system but it could only continue its good work and expand its influence if its programmes were properly funded.

252. The International Institute for Labour Studies was another ILO organ providing valuable information to ILO constituents on academic aspects of labour policy, and its activities deserved the fullest support.

253. Mr. Blondel, on behalf of the Worker members, recalled that the Turin Centre had been in serious trouble some years ago and it was only the dedicated efforts of management and staff that had saved it from closure. The Centre had now reached the end of its second development plan, and it deserved the fullest support in its continuing efforts to improve its services to participants.

254. The representative of the Government of Italy thanked previous speakers for their kind words in favour of the Turin Centre, an enterprise which the Italian Government also firmly supported. Over the past six or seven years the Centre had indeed improved in a very remarkable way its training activities and international visibility, and had restored its finances to a solid footing. The rapidly developing collaboration of the Centre with other international institutions should be encouraged, in particular those within the United Nations system. In the year 2000, of course, a general evaluation of the Centre was planned and there would be a further expansion of its institutional training courses. The Centre was a credit to the ILO and deserved full support for its activities.

255. The representative of the Government of France recalled that when the Turin Centre first started it was just a vocational training centre with an uncertain future. Its progress since then was most impressive and the ILO could be justly proud of what it had achieved. The Centre had developed its cooperation with many international organizations and institutions, including the European Union. It had also established the United Nations Staff College, which was renowned throughout the United Nations system, and its reputation now reflected well on the ILO as a whole. The Turin Centre, now in such a healthy state, would play a major role in achieving the strategic objectives contained in the programme and budget proposals.

Technical and sectoral meetings

256. Mr. Marshall, speaking on behalf of the Employer members, expressed support for paragraph 118, although it would be difficult to restructure all meetings immediately into the new strategic planning framework. The list of meetings included the World Employment Forum, but an important part of its work would be to look at issues of enterprise development and this should ideally be covered by an enterprise forum. Perhaps it would be possible to hold one some time in 2002.

257. Mr. Blondel, on behalf of the Worker members, supported the comments of the previous speaker. During discussions in this Committee on the World Employment Forum, the Workers had suggested that a social forum be held, with participation to be agreed later. Discussion about an enterprise forum was perhaps misplaced in this Committee; Employers had the means to meet often, and did so. On balance the Workers could discuss this proposal if there was also a social forum held, as previously decided.

258. Mr. Brett (Worker member) reminded the Committee that the decision was to have one enterprise forum, not a series, although there might be good arguments for continuing it. However, there had been a commitment to a social forum, and also to financing it in the current biennium, but it had not been held. The issue now was whether it would be held with the participation also of employers and governments. Perhaps this question could be addressed in the

informal consultations that would follow the next session of the Conference, in the run-up to the deliberations on the detail of the budget in November 1999.

Strengthening institutional capacity and rapid ILO response

259. The representative of the Government of Argentina, observing that several delegations had spoken earlier of strengthening institutional capacities, agreed with the Director-General that any such cooperation project should be funded first and foremost by the regular budget, supplemented by extra-budgetary resources. There must be a clear link between the objectives of the project and the strategic objectives of the Organization, so as to ensure consistency among the ILO's activities and avoid dispersion of its resources. He also supported the concept that the ILO's activities should be founded on knowledge, high-quality service and active promotion — or "advocacy". The link between knowledge and service was essential; it was the amassing of knowledge that would make it possible to take action and to change the situation on the ground. At a conference organized by the IILS in 1998, the American economist Jeffrey Sachs spoke about the relationship between international trade and labour standards and noted that there were no empirical studies on the effect of labour standards on employment. The ILO had been debating the subject for 25 years without any real results, a lacuna that the Organization could ill afford if it wanted to play a significant role at the international level.

260. He fully agreed with the comment in the document that greater interaction was needed between the ILO, other international organizations and other actors on the international scene. The problems were complex, and it was therefore important to use the appropriate instruments. The multidisciplinary approach was indispensable, not only for the collection of information but also as regards the action to be taken. There was a growing interpenetration of the issues in which the international community was interested, and the proposals in paragraphs 127 to 132 were therefore particularly relevant. Only by developing its knowledge in the macroeconomic and microeconomic fields would it be possible for the ILO to intervene in a decisive manner in the debate on social policy and the labour market.

261. Mr. Marshall, speaking on behalf of the Employer members, commented on paragraph 122, which he saw as a low-key statement on a very important issue. As he had said before, the Employers did set great store by the development of human resources within the Organization. There was a need for renewed effort in this area, and the Director-General had highlighted this by placing particular emphasis on the investment in staff. Regarding paragraph 124, he confirmed the Employers' appreciation of the efforts being made in respect of reporting, governance and evaluation.

262. The representative of the Government of Canada strongly endorsed paragraphs 120 and 121 and agreed with the previous speaker that paragraph 122 on human resource management was somewhat understated. Regarding paragraph 123, she reiterated her Government's endorsement of the Office's intention to proceed without delay to upgrading its financial and accounting systems. This was a highly important aspect of strategic budgeting, and it was essential that the Office had the capacity to produce the additional reports that this would entail. She looked

forward to a concrete proposal being put forward, possibly in November, to coincide with the beginning of the implementation of the strategic budgeting process and identifying possible sources of funds.

263. Mr. Blondel, speaking on behalf of the Worker members, agreed that the strategic programme and budget referred to in paragraph 124, which was the first of its kind, could with some adjustments serve as a model for future budgets. The Workers were very much in favour of the Governing Body being fully informed of the activities carried out, of the use of funds and of the evaluation of results. As to paragraph 127, he confirmed his previous statement regarding the ILO's economic analysis capability. On the subject of the rapid ILO response it would be helpful if the Director-General could indicate what new means might be available to mobilize resources intelligently, efficiently and quickly so as to permit the Organization's rapid intervention.

264. The representative of the Government of the United States wished to join other delegations in emphasizing the importance of human resource development. She also welcomed the discussion of the Active Partnership Policy and technical cooperation in paragraph 125, especially the promise of regular evaluations and the Director-General's recognition of the need to be able to demonstrate success. This was a point that several members had stressed in the past and she looked forward to the development and implementation of appropriate and reliable evaluation methodologies for in-house use.

265. The United States continued to have some concern about the effectiveness of the existing field structure and was therefore pleased to see that a review was anticipated. But it was puzzled that six African cities, two in the Americas region and three in Asia and the Pacific hosted both MDTs and area offices. Although she was prepared to be convinced that this made perfect sense, it needed some explanation, which she hoped would be forthcoming from the studies of the relationship and distribution of labour between headquarters and the field, and among the technical departments in Geneva. On a related issue, there appeared to be some overlap in the functions of the technical programmes; for example, development policy seemed to overlap significantly with employment and training and equality of women. It would be interesting to know what the unique contribution of each of these programmes was to the objectives at hand. The planned reviews should shed light on this matter and help ensure that the ILO maximized the efficiency and effectiveness of its delivery system.

266. The representative of the Government of the United Kingdom, echoing the comments made by the Employer spokesperson on paragraph 122, said that her Government would be very interested in the Director-General's plans with regard to human resource management, especially considering the extensive changes that were taking place. It supported the proposal to upgrade the Office's financial software, within existing resources, and also the proposal in paragraph 124 that the strategic programme and budget should become a model for future budgets — bearing in mind the suggestions contained in the IMEC statement regarding indicators, monitoring and evaluation.

Discussion on Volume 2

267. Mr. Marshall, speaking on behalf of the Employer members, observed that Volume 2 was presented in the "old" style and was therefore not directly linked to the new strategic approach set out in Volume 1. He trusted that, at the Governing Body meeting in November, the two volumes would be combined in a single document showing the short-term and measurable objectives that the Office intended to pursue in order to meet its mid- and long-term objectives. Before commenting on individual programmes, he emphasized that Volume 2 was too long to be examined paragraph by paragraph and that the Employers' silence with respect to certain parts of the document should not be construed as acceptance of everything they contained.

268. Programme 20 assumed the continuation of existing structures, but the Employers felt that the Governing Body members should consider in due course the way in which they as a body were involved in the governance of the Organization, and felt that it was important to envisage new approaches. The Governing Body should surely be concentrating more on governance, that is, policy and oversight, and less on management. For example, he was astonished that the Committee had devoted so much time the previous day to discussing whether or not it was appropriate for the Director-General to provide a crèche facility. Once a policy decision on the matter had been taken and the Governing Body had set out the parameters within which it should be implemented, the details should be left to the Director-General. That surely was the proper division between governance and management.

269. Regarding technical programme 50, the Employers stressed the importance of the review of international labour standards and expressed some disappointment at the slow progress of the Working Party. As to the ILO Declaration, he recalled the operational separation between its follow-up, on the one hand, and the promotion of the ratification of standards, on the other, and emphasized the importance that neither of those activities should be diluted. Generally speaking, all the major programmes began with a description of problems and needs and this tended to cast a somewhat negative slant on the analysis. It would be preferable for the programmes to look ahead to how they would address the opportunities that presented themselves rather than look back at the difficulties they posed.

270. The Employers saw employment and training as a critical and vital activity for the Organization and were somewhat concerned at the negative view and subjective approach that had been taken. It suggested that only the traditional Western view of the quality and nature of work was valid, whereas nowadays this was losing credence even in the Western world. Furthermore, the suggestion that most new jobs appeared to be of low quality was totally erroneous. One could not overemphasize the value of generic skills development as well as vocational skills development, especially given the growing need for what were known as "soft skills" in the area of management and enterprise orientation for young people and university graduates. It was valuable that throughout the documents research was emphasized. In this regard research on the positive opportunities for employment and the good practices that had resulted from globalization would be appropriate. As regards skills training and development, the document appeared to have overlooked the very important issues of the cost involved and the funding

mechanisms that were available. On the question of enterprise activities, he stressed that the employment-generation potential of SMEs was extremely important, but the pivotal role of medium and large-sized enterprises both in direct employment and in the stimulation of business activity must not be overlooked. It was the responsibility of governments to put into place the appropriate regulatory environment and the economic fundamentals that were conducive to employment. It was wrong to shy away from the concept of profitability as something slightly evil; the creation of wealth and the generation of employment that went with it was a socially responsible activity and of critical importance to the growth of the world's economies and societies.

271. The Employers' only comment on programme 80 was that the document seemed to suggest that the changes that had taken place were somehow negative because they did not fit into the traditional way of things, the implication being that perhaps people should reshape the world to fit the traditional concept of work. A more positive attitude towards change would be beneficial for the whole of society. As to the section on industrial relations, it should be entirely rewritten. The building of relationships between employer and employee was vital, and the focus in the world today was on enterprise development, so it was not appropriate to emphasize sectoral or national collective bargaining. The Office had in the past produced far better papers on changes in workplace and industrial relationships and the views expressed here seemed to be altogether outdated. Turning again to the ILO Declaration, he insisted that, contrary to the suggestion in this section, it had no role as a tool for the promotion and development of codes of conduct; it was intended solely to promote the principles agreed upon among the tripartite members, and to use it for other purposes would dilute the value of the Declaration.

272. Turning to technical programme 110, he said that some people had the impression that the Asian economic crisis, for instance, could somehow have been avoided if the entire world had adopted all the standards and ratified all the Conventions on social security. While recognizing that the absence of developed social security systems posed real difficulties in many economies, it was wrong to say that the world would be a better place if there was a universal social security system. One must look at the practical issues. Besides, the Office paper contradicted itself when it subsequently stated that the entire social security situation needed to be rethought.

273. On the subject of employers' activities, the Employers were very serious about the need to build up the capacity of both the employers' and workers' activities in order to facilitate the current developments in enterprise and employment. As to technical cooperation, the Employers were very pleased at the findings of the review that had been conducted and looked forward to their practical implementation. They suggested that some budgetary provision might be made for more light-handed tripartite reviews along the same lines.

274. As regards field activities it was important that needs in the field, identified in consultation with the constituents in the different regions, be related to the strategic objectives. The ongoing discussions that were being held on the Asian economic crisis would add to the activities under the Asian regional programme, and it was therefore too early to decide exactly what form they should take.

275. He wished to make two points concerning technical programme 160. There could be no question as to the necessity of placing major emphasis on human resource development in the Organization, but the Employers were astounded at the inappropriate language used in the document in suggesting that emphasis should be placed on improving the quality of the staff. The quality already was excellent, however staff needed to be supported and their competences built up over a wide range of activities so as to increase the Organization's knowledge base.

276. Finally, there was a need to monitor world trends on an ongoing basis so that strategic planning programmes could be kept vital and up to date. This could be done through maintaining close linkages with all the constituents, enabling adjustments to the strategic plan to be made throughout the biennium.

277. Mr. Blondel, speaking on behalf of the Worker members, said he had been somewhat surprised to hear Mr. Marshall speak of Volume 2 as a document of the past. The Workers as a group did not share this view and considered simply that it was by definition a document that could be strengthened and perfected and made into a thoroughly modern budgetary tool. He reserved the right to revert to certain aspects of the programmes described in Volume 2 during the consultations the Workers would shortly be having with the Director-General. If necessary, these could continue beyond the November Governing Body meeting, when it should be clear which resources were to be allocated to which programmes. The first thing the Workers would do would be to ask the Director-General to ensure that a proper balance was maintained among the various technical programmes, which was a sign of good management. They would also ask him to provide for adequate funding for the different regions, as this was a source of concern for their group.

278. With regard to meetings, rural workers must definitely not be forgotten; nor should countries that were just emerging from situations of conflict. He emphasized that the strengthening of labour administration, the fight against poverty and the development of cooperatives must likewise not be overlooked. Although the document before them was not bad, it did neglect a number of issues.

279. He went on to ask the Director-General if the review of resources for interdepartmental activities mentioned in paragraph 145.2 had already been undertaken. If so, it would not be able to take account of the current discussion of the programme and budget proposals. He wanted to know whether the Director-General expected to be in a position to present the proposals referred to in that paragraph; otherwise he could do it later during the informal consultations.

280. As understood by the Workers, labour relations were not exactly as they appeared in paragraph 80.11. In consultation with workers' and employers' organizations, governments adopted new or revised labour legislation which governed individual and collective labour relations and which provided both sufficient protection for workers and the necessary flexibility for enterprises. The role of the ILO was not to set the agenda for negotiations between management and workers individually but rather to promote and facilitate collective bargaining at which the parties involved could come to an agreement on wages and terms of employment. Often this would involve reference to ILO standards.

281. The representative of the Government of Japan, speaking on behalf of the Asia and Pacific group, said that his group attached great importance to the ILO's interaction with the relevant institutions and tripartite members in the field,

on which its impact ultimately depended. Technical cooperation activities were the principal means of achieving the ILO's strategic objectives, and they too depended on effective field structures. The increase in funding for field programmes in the Asia and Pacific region, where it was needed more than ever to counter the devastating effects of the financial crisis, was therefore greatly appreciated. His group supported the Office's new emphasis on a wide response capacity to combat the significant unemployment and extreme poverty that prevailed in the region, and called for even greater efforts in this regard. It welcomed the thrust of paragraph 60.4 on employment and training, which restated the ILO's commitment to these issues, and looked forward to receiving more details on all the technical programmes. Asia and the Pacific was the only region with a negative cost adjustment in the programme and budget proposals, a decrease that was based on estimated exchange and inflation rates for the years 2000-01. Bearing in mind that the impact of the current crisis had varied from country to country and that the budget was for a two-year period during which the turn of events could not be foreseen, such speculation could not be relied upon. In addition to increasing the financial resources for the region, it was essential to improve the Office's field structures, and to focus more on monitoring and evaluation. The effective functioning of those structures was of critical importance for the programming and delivery of ILO technical assistance in the regions. Some countries did not have any MDTs or programme officers assigned to them, a shortcoming which should be remedied so that the field structures could be fully efficient. Given the vast territory and huge population of the Asia and Pacific region, three MDTs were inadequate, and his group hoped that their number could be increased. Coordination and communication between the regional and local offices and their constituents also needed to be improved in accordance with the specific situation of each area.

282. Finally, the Asia and Pacific group attached great importance to the promotion of core labour standards and, by and large, had responded positively to the ratification campaign. Comments such as those expressed in paragraph 270.4 were therefore inappropriate; instead, the emphasis should be on improving technical cooperation and field activities so as to help Members promote labour standards. In a word, his group believed that the budget allocations for the region should be directed towards strengthening the field structures and the effective delivery of technical assistance.

283. The representative of the Government of Canada said that she would leave it to individual IMEC countries to comment on the substance of Volume 2. She noted that in the general discussion, IMEC had proposed that further development of the proposals be based on Volume 1, and that indicators, outputs and resources should be specified for strategic and programme objectives, and include the traditional staff and non-staff tables. She proposed that Volume 2 should be gracefully retired.

284. The representative of the Government of France, referring to the proposed expenditure budget for the policy-making organs on page 3 of Volume 2, observed that there was a slight decrease in expenditure compared with the current biennium. On the other hand, the *Provisional Record* had been restored, involving additional costs, and the budget for meetings also appeared to have increased. He wished to know, therefore, where the corresponding savings would be made. He

was anxious that they should not be at the expense of interpretation and translation services, which could prejudice the smooth functioning of meetings.

285. The representative of the Government of Germany said that it was his assumption that the IPEC programme continued to be subordinated to technical programme 90, but that this would in no way preempt any decision that the Director-General might take concerning new structures and new administrative arrangements. On a more technical note, he drew attention to an apparent contradiction between paragraph 8(e) and paragraph 14 of Information Annex No. 2 and asked for clarification as to whether the inflation rate assumption for air fares inside Europe and air freight was based on a cost increase of 2 per cent, zero or some other figure.

286. The representative of the Government of the United Kingdom supported the suggestion of the representative of the Government of Canada that Volume 2 should now be gracefully retired.

287. The representative of the Government of India endorsed the views expressed by the representative of Japan on behalf of the Asia and Pacific region. Subject to those considerations, his Government generally agreed with the contents and theme of the proposals and suggestions in the document. Concerning specific programmes, he took note of the statement that the ILO remained fully committed to pursuing the objective of full employment as a special challenge in the era of globalization, and welcomed the commitment made in paragraph 60.4 that the ILO would go beyond policy analysis and design and put much greater emphasis on the application and improvement of policy instruments and on more direct assistance to constituents. He looked forward to specific programmes in this regard in the next round of discussions.

288. Realizing the potential of small and medium enterprises in generating employment, he supported the proposal that the Turin Centre organize about 85 training projects and courses on the management of SMEs during the biennium, for an estimated 1,500 officials, trainers and advisers. Since many countries were experiencing the painful consequences of retrenchment, the training of retrenched workers for gainful employment should continue to receive the Centre's attention. In this regard, the Centre's efforts to establish linkages with national agencies for retraining should continue. As to programme 130, he considered that it should enable the International Institute for Labour Studies to retain its status as a think-tank of the Organization.

289. Regarding the field programmes in Asia and the Pacific, he observed that large-scale migration of workers was taking place in the region, and he therefore supported the proposal to improve the database on migrant workers. Technical support to help migrant workers enjoy all labour rights without discrimination might also be considered. Concerning programme 245, he stated that the idea of continuous monitoring of the Active Partnership Policy by the Governing Body was a very positive development that would help to ensure that ILO advisory services and programmes were available and delivered to the constituents. The success of the Active Partnership Policy would definitely be based on the personnel involved in implementing it, and it was therefore essential that the profile of officials be carefully considered at the time of selection and that further measures be taken to train them at the appropriate level and intervals.

290. The representative of the Government of Italy briefly intervened to remind the Committee that in fact Volume 2 was no longer a budget proposal, but just a series of programme descriptions which would be presented in a different format in the future.

291. The representative of the Government of the United States stated that the strategic programme and budget which the Committee was requesting was in fact Volume 1 with detailed costs. Volume 2 in its present structure should be withdrawn. He understood that the Office planned to include a distribution of expenditure by object class as part of the details to be provided.

292. The representative of the Government of Poland considered that, taking into account the economic and social situation of most countries in his region, which were in a period of transition, the budget proposed for major programme 280 was not sufficient to fully guarantee the implementation of the objectives and activities listed. Therefore, action was needed to improve the execution of this programme, particularly the activities of the Central and Eastern European multidisciplinary team in Budapest. Support was also required from other international organizations and from countries with stable and more developed economies and with democratic political systems, which could share their experience with developing countries. This would increase the opportunities of finding optimal solutions for each country and allow the effective implementation of measures in such areas as labour market policy, social security reform, social dialogue and unemployment and job creation.

293. The Office's financial resources unfortunately fell short of what was required to meet the actual needs of countries in transition, so new and more effective formulas of cooperation should be developed. For example, in the preparation of reports, programmes and publications experts from Central and Eastern Europe itself should be utilized to prepare national case studies, as they had recently with the publication "The wage crisis in Central and Eastern Europe". As well, there was still too much emphasis on analysis and not enough on proposals for action, particularly in the area of employment.

294. The representative of the Government of Spain referred to paragraph 80.13 of Volume 2 which stated that a major effort would be made to ensure that countries modernized their labour legislation. Paragraph 37 in Volume 1 stated exactly the same, but also included a reference to labour law guidelines being developed in the current biennium. He asked for clarification on these guidelines.

295. Mr. Marshall, speaking for the Employer members, wondered what was to happen to Volume 2. It should not be submitted in its present form to the Conference since it could cause confusion, but some of the financial and practical information it contained would be needed by the Conference. He proposed therefore that this information be included in the Committee's report to the Conference.

296. The representative of the Director-General (the Treasurer and Financial Comptroller) explained that the Financial Regulations were quite flexible about the form in which the budget had to be submitted to the Conference. Mr. Marshall's proposal was a practical one and he suggested the best course would be to take the essential information in Volume 2, such as summary tables showing programme increases and decreases, information on cost increases, as well as Parts II and III

of the proposals covering Unforeseen expenditure and the Working Capital Fund and include them in Report II, the Conference document containing financial questions to be considered by the Conference Finance Committee of Government Representatives.

297. The coordinator for the Asia-Pacific region had referred to the rather large cost decreases for the region shown in the table of regular budget estimates and analysis of increases and decreases. These adjustments did not affect the real value of the programme. For example, for field programmes in Asia and the Pacific, column A showed the level of allocations in the current budget and column B showed for the 2000-01 biennium an increase of $400,000 in real terms. The figure in column B did not allow for the substantial devaluation of certain currencies in Asia which would reduce the dollar cost of carrying out those programmes. The Office had adopted conservative exchange rates for budgetary purposes but even so the cost of the increased programme level for 2000-01 would be less than the appropriation for 1998-99.

298. In reply to the representative of the Government of France, the Treasurer undertook to provide a detailed analysis on why there was a reduction in real terms in the allocation for policy-making organs in 2000-01 compared with 1998-99, but one of the reasons was that the European Regional Meeting would cost considerably less than either of the two Regional Meetings provided for in the 1998-99 budget.

299. In reply to a query from the representative of the Government of Germany concerning increases in air fares, the Treasurer confirmed that a meeting of Geneva-based organizations agreed on a likely increase of 2 per cent for non-European fares. However, paragraph 7 of Information Annex 2 mentioned that the rates of inflation to be used by individual organizations in their budget estimates would be subject to the dates of preparation and review of budget proposals, and that "In view of the evolution of the inflation rate, organizations would need to take account of any new developments". In view of the arrangements with travel service providers concerning volume rebates and grey-market tickets, the Office believed that no increase would be necessary.

300. The Treasurer also confirmed that the paper to be submitted to the November 1999 session of the Governing Body would contain information by object of expenditure. This information would be necessary for the Office for budgetary control purposes and there would be no difficulty in appending it to the paper.

301. A representative of the Director-General (the Director of the Industrial Relations and Labour Administration Department), in reply to the question raised by the representative of the Government of Spain, confirmed that the Office was preparing a set of guidelines on labour legislation which would be made available to specialists, consultants and other interested parties. These guidelines would not only greatly facilitate work in this area to be undertaken in the next biennium, but also act as precedents for the promotion of standards.

302. At this point the Committee concluded its discussion of the Programme and Budget proposals for 2000-01 and adjourned to enable the Director-General to reconsider his programme and budget proposals in the light of the various views expressed by its members.

Resumption of discussion

303. When the Committee reconvened on 18 March the Director-General gave his reply to the discussions the previous week concerning the Programme and Budget proposals for 2000-01. The text of the Director-General's reply is reproduced in Appendix II.

304. Mr. Marshall, on behalf of the Employer members, thanked the Director-General for his response. They had no difficulty agreeing with the approach to be adopted for considering the detail of the Programme and Budget for 2000-01 and would look forward to the consultations to be taken between now and November. The Director-General had already covered most of the points of interest to the Employers and those remaining would be covered in the detailed discussions ahead. There would be no point in reopening detailed discussions at the moment.

305. Mr. Blondel, on behalf of the Worker members, also expressed appreciation for the Director-General's address and stressed that the Workers too would play a full part in the consultations in the coming months. The Director-General had responded to many of the issues raised during the course of discussion. That was what the Workers wished, and they were happy to see that there would be a continuing dialogue between the Office and Committee members in the months ahead. The Workers were concerned about the intention to abandon Volume 2 of the programme and budget proposals. Others had it as well as members of this Committee and would use it for reference so it should be retained, even in a secondary role. In conclusion, the Workers regretted they had not done so before but wished to take this opportunity to express their strong support for resources to be made available for a new computerized accounting and financial management for the Office and that a system of financing spread over a number of years should be studied to avoid overburdening a biennial budget.

306. The representative of the Government of India expressed appreciation for the clear and forthright address by the Director-General. As he said, economic and social progress had to go hand in hand; a budget was not merely a framework but an engine or tool of growth, and its entire objective was to ensure a decent workplace for workers. In his presentation the Director-General had emphasized the clear nexus in the budgetary process for the roles of the Office, this Committee, the Governing Body and finally the Conference itself. Of course, much more work needed to be done to translate vision into reality, especially the problems of the informal sector, contract labour, migrant labour and especially those not only denied a decent workplace but also their dignity and human rights as individuals. India would give its solid support to all this work.

307. The representative of the Government of Canada thanked the Director-General for his reply, which addressed the many issues raised during the discussion of the programme and budget proposals. The documents he proposed to put to the Conference and to the November session of the Governing Body would be a good basis upon which to take these discussions forward. The Director-General's willingness to hold close consultations with members was especially welcome and the benefits were already clearly evident in the documents for the 2000-01 budget. Canada would give its full support to continuing dialogue with the Office.

308. The representative of the Government of Bangladesh expressed appreciation for the quality of the Director-General's reply and the programme and

budget documents, and hoped that the achievements so far would be reflected in the final Programme and Budget for 2000-01.

309. The representative of the Government of the United Kingdom agreed with previous speakers that the Director-General's reply had addressed all the major concerns of this Committee. With regard to Conference documents, there was no suggestion that Volume 2 should be scrapped completely; but discussions at the Conference would be better based on Volume 1, together with the appendices the Director-General proposed. He agreed with Mr. Marshall that discussions on the detail of the proposals should take place not now but in the months ahead.

310. The representative of the Government of Mexico thanked the Director-General for his reply to the programme and budget discussions. Mexico too was ready to play its part in the discussions over the next few months.

311. The representative of the Government of Egypt also expressed appreciation for the Director-General's reply. It addressed all the concerns expressed by Committee members and Egypt also would take part in discussions over the next few months.

312. The representative of the Government of Swaziland also thanked the Director-General, and expressed particular appreciation for his assurance that technical cooperation activities were not linked to the observance of standards.

313. The representative of the Government of Argentina welcomed the new budgetary approach and hoped that from now on the ILO would be able to play a more prominent part in the work of international organizations.

314. The representative of the Government of Senegal agreed that the Director-General's reply took full account of the views expressed by Committee members. Consultations over the next few months would give each group the opportunity to emphasize the importance to be attached to priority activities, especially technical cooperation activities and follow-up to the Declaration.

315. In the light of the views expressed by all members of the Committee, the Chairperson took it that the draft programme and budget could now be recommended by the Committee to the Governing Body.

316. ***Subject to the positions taken, and to the reservations expressed during the discussion, the Committee recommends:***

(a) that the Governing Body propose to the International Labour Conference at its 87th Session (June 1999) a provisional programme level of $481,050,000 estimated at the 1998-99 budget exchange rate of 1.46 Swiss francs to the US dollar, the final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessment to be determined by the Conference;

(b) that the Governing Body propose to the Conference at the same session a resolution for the adoption of the programme and budget for the 67th financial period (2000-01) and for the allocation of expenses among member States in that period in the following terms:

The General Conference of the International Labour Organization,

(a) In virtue of the Financial Regulations, adopts for the 67th financial period, ending 31 December 2001, the budget of expenditure of the International Labour Organization amounting to $ ..... and the budget of income amounting to $ ....., which, at the budget rate of exchange of ..... Swiss francs to the

US dollar, amounts to ..... Swiss francs, and resolves that the budget of income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives;

(b) Requests the Director-General to submit to the Governing Body at its 276th Session (November 1999) a statement as referred to in article 15 of the Financial Regulations, providing further details of the budget of expenditure.

Geneva, 22 March 1999. *(Signed)* S. Marshall,
Reporter.

Point for decision: Paragraph 316.

Appendix I

Programme and Budget proposals for 2000-01 — Introductory statement by the Director-General

This is my first address to an official ILO body, the Programme Financial and Administrative Committee. The fact that it concerns my Programme and Budget proposals for 2000-01 is a testimony to the harmonious and productive transition at the ILO ensured by close cooperation between Director-General Hansenne and myself. I want to thank him again for his support.

These proposals were prepared under my supervision even before I took office. They are the first product of the work of the Transition Team, working with the staff of the Office. To my knowledge this is the first time that the future budget of an international organization has been prepared by the elected head of the institution with the agreement of the sitting Director-General and the Governing Body. I believe it is a clear expression of the institutional strength of the ILO.

My remarks today reflect to some extent, but also elaborate on, my executive introduction to the proposals. Today's statement should be read together with that introduction. They represent my commitment to you and to our constituency for the work of the ILO and for the management of its affairs at the beginning of the new millennium.

This document translates your wish for a strategic budget into reality. It is also the expression of my deep conviction that strategic budgeting will enhance the quality of our work and will constitute a key management tool in the future.

This document is the culmination and integration of two processes.

One is the preparatory work of this Committee over the past two years in analysing the need to move from a traditional programme budget, based on organizational units, to one based on strategic and operational objectives. Budget flexibility enabling the detailed definition of activities and resource allocations to take place closer to the period of implementation was an important part of your deliberations. The obligation of the Office to report regularly, fully and objectively to the Governing Body on the use of funds and on the results of its programmes, was another. You requested, last November, that resources be set down in the form of budgetary envelopes for the strategic objectives. This has been done.

The other arises from my own perception that despite the considerable interest and support for the ILO, the previous budget suffered from a lack of clear focus and a dispersion of activities that made it difficult to identify the ILO's core message. This conclusion stems from my years of observation from the United Nations, the different exchanges I had during the campaign for my present post and my more recent familiarization in more detail with the variety of ILO activities. The danger of overreaching and underachieving is real.

The strategic budget is the outcome of these two processes.

The four strategic objectives — principles and rights at work, employment, social protection and social dialogue — define our purposes and clarify our image. I believe that discussions in the Governing Body and informal consultations show that there is a strong tripartite consensus that today these are the Organization's strategic objectives. But the strategic budget implies more than a consensus on strategy. It will be accompanied by internal organizational reform reflecting the new budget structure, the design of a monitoring and evaluation system for implementation in 2000-01 with defined targets against which we can measure progress and results, emphasis on cost-effectiveness and visibility and transparent reporting to the Governing Body and the Conference. The timetable for these changes is from March to November this year. The basic work will be accomplished by November. It will be necessary to fine-tune these changes as we begin

to implement them. I do not want basic institutional reform to be prolonged. Setting a reasonable time-frame to proceed with this work permits us to reduce the inevitable uncertainties that come with reform.

This budget also introduces InFocus programmes. They reflect priorities that are not new to the Organization but which I believe require higher visibility, greater resources and a serious commitment to obtain extra-budgetary funding. They are intended to lead to a greater concentration of effort, to be results-oriented and to involve a high level of team work among the staff of the Office.

The 2000-01 programme provides an opportunity for the ILO to position itself as a valuable, competitive Organization. To do this, the ILO needs to concentrate on three dimension of its mandate and role.

First, as a knowledge-based Organization, it needs to constantly renew its capacity to provide research and information of the highest quality. One of my first decisions since becoming Director-General was to ask from our managers a careful stock-taking of our knowledge base to determine our strengths and our weaknesses. We can build programmes where our knowledge base is strong; we cannot where we are weak. We can influence when we have top-level capacities; we are not taken seriously if we do not.

Secondly, the ILO can only be successful if it can provide effective, relevant and competent services that are needed by its constituents and stakeholders, including a more rapid and effective response to the critical and urgent challenges facing them. Efficiently organizing ourselves for that purpose is essential.

Thirdly, the ILO deals with real-life issues. It must be a strong advocate of its own ideals and agreements and the principles found in its Constitution, the Declaration of Philadelphia and the recent Declaration on Fundamental Principles and Rights at Work.

Knowledge, service and advocacy are all emphasized in the proposals.

Two issues are cross-cutting in these proposals: development and gender. Work on these issues is the business of all our technical and regional programmes. To those who heard my remarks earlier today celebrating International Women's Day, you will know my commitment to act more intensively on the improvement of gender equality. Coming from a developing country I naturally have a special sensitivity on development issues.

The strategic objectives, their corresponding operational objectives and the programme priorities found in the proposals are based on the needs and priorities expressed by ILO constituents. Among the more significant let me cite:

— the preliminary consultation on the budget in March and November last year;
— the adoption of the Declaration;
— the first discussion of the new Convention on child labour, and the Recommendation on job creation adopted last year;
— the review of standard-setting policy by the Governing Body;
— the positive evolution of our relations with the Bretton Woods institutions;
— the Governing Body's evaluation of the Active Partnership Policy.

Aside from the innovation of the strategic budget itself, my proposals call for intensified action and innovation on a number of key issues. The first of these is sustained promotional follow-up on the Declaration. This, of course, awaits decisions to be taken later in this session by the Governing Body. There will be reinforced action on child labour. This year's Conference will have its second discussion on a new Convention on child labour. I have commissioned an external management review of the structures and processes by which the IPEC programme is managed. I want to ensure that the ILO can deliver a cost-effective programme. I also intend this programme to receive adequate core funding from the ILO's regular budget.

These proposals call for increased emphasis on employment issues. You will note that three of the eight InFocus programmes deal with employment. Greater resources are proposed for each of the regions in spite of a zero growth budget. I have highlighted Africa in particular, together with Asia. I foresee a new level of cooperation with the Bretton Woods institutions. Let me quote two passages from the conclusions of the recent G8 Labour Ministers' meeting in Washington:

> We note and welcome the increasing cooperation between the ILO and the IFIs in promoting employment, social safety nets, adequate social protection, core labour standards and effective labour market institutions.
>
> We urge the ILO to strengthen its analysis of the labour market consequences of globalization and examine how integrated labour, economic and financial strategies can help address the challenges associated with globalization.

Our internal arrangements for priority setting and managing technical cooperation are undergoing review. In June, the Conference will discuss a report on technical cooperation, and the results of that debate will guide us in our internal deliberations. This issue has for me the highest importance. It is clear that reforms are needed. As a general policy, I intend that we embark on extra-budgetary financed technical cooperation projects where there is a clear relationship to our strategic and operational objectives and we have a strong knowledge base and core funding from the regular budget. We must ensure that our technical cooperation programmes are coherent. There are always dangers of donor-driven specificity based on particular interests and demand-driven dispersion based on the perception that the ILO is an all-service provider.

Last November, the Governing Body approved 12 sectoral meetings. They are included in these proposals. Nevertheless, in keeping with the logic of a strategic budget, I believe there should be a close linkage between sectoral activities and meetings and the strategic objectives. I propose that the Office enter into consultations with the appropriate members of the Governing Body to determine how this might be achieved in the next biennium.

Other innovations or intensified action are proposed to give the ILO a new role in reconstruction and employment-intensive investment. We will act to improve training and employment opportunities for women, young workers, migrants and the disabled. I want our programmes to reach out more effectively to the informal sector and to small enterprises. We will develop a worldwide campaign on workers' safety. There will be an intensified search for economic and social protection in the face of globalization, uncertainty and growing numbers of working poor. We must develop mechanisms to respond more rapidly to crises. We will aid employers' and workers' organizations to become more influential and to improve services for their members as well as strengthen tripartite and bipartite institutions. As is evident, I am not proposing a complete reshaping of our programmes. Focus is the main guiding criterion — clarity towards the inside and outside; a vision and a sense of priorities and direction.

Internally I intend to organize the Office to provide a more compact, integrated and transparent structure derived from the strategic budget. I will be creating a senior management team to assist me in running the Office. The notion of team is for me essential. I want the Office to be motivated by common objectives and challenges. After appropriate consultation I wish to implement measures that will stimulate cooperative work between programmes and departments and between headquarters and the field.

I wish to pursue a more relaxed style of management, one that is more open, less hierarchical and less tied to traditional ways of working; a style that promotes cooperation, integration and teamwork rather than distance, individualism and bureaucratic power centres.

Human resources development will be a key priority. I am convinced that a new and better climate of staff-management relations is as possible as it is necessary. There are

important reforms needed in our personnel policies, but they must occur in a context of trust, goodwill and a professional understanding of the human resources field. Before and after my election I have met with representatives of the Staff Union on these issues and will continue to do so on a regular basis.

Information technologies offer vital support for all of our activities. I intend to expand their use for internal efficiency and as a vital component of the priority I give to our knowledge, service and advocacy functions. Moreover, we who work in a global organization must adopt a standard technology for electronic communication to ensure effective communications between staff dispersed around the globe.

The Office clearly needs to develop a better culture of communication at different levels. In one instance, between the Office and the Governing Body: as you know, I have a style of dialoguing, inquiring and listening in order to facilitate consensus-building which I hope can be helpful. I believe that the Governing Body and the Office are partners with individual but complementary responsibilities to make the ILO a successful institution. Communication is also needed at other levels: between headquarters and the field, between the ILO as a whole and the world outside our meeting-rooms, between the Office and its constituents and stakeholders, between our work and the information coverage of it. But the key one from my point of view is internal communication within the Office, to which I plan to dedicate special attention.

My proposals are at the same dollar level as the 1998-99 budget. As you are aware, they do not make provision for cost increases in the next biennium. In fact, there are net savings of $785,000, which have enabled additional resources to be allocated to substantive programme activities. These cost savings result from actual cost increases during the current biennium being less than had been anticipated when the 1998-99 Programme and Budget was prepared. Most of those savings relate to staff costs, but significant savings also resulted from the sharp devaluation of certain currencies, particularly in Asia. These exceptional conditions, unlikely to recur in the future, have allowed me not to provide for any cost increases in my proposals.

You are now called upon to consider these proposals and formulate an appropriate recommendation to the June Conference. It is for the Conference to approve the budget and fix the rate of exchange between the Swiss franc and the US dollar. I have undertaken to provide at this year's November session of the Governing Body a budget document showing the allocation of resources by programme with the traditional staff and non-staff resource breakdown, based on the strategic budget approved by the Conference.

I have had fruitful informal consultations with members of the Governing Body during the period this budget was being prepared. I am aware that, despite the Governing Body's consensus on the need for a strategic budget and budgetary envelopes, some may feel uncomfortable about the absence of more detailed financial information. It is in the logic of the transition towards a strategic budget that we move step by step from a general level of allocation of resources by objectives to a specific level of allocation to programmes. I intend this work to begin after this session of the Governing Body and to be completed by the end of this summer. It is a major task that cannot be accomplished quickly if we are to do it seriously. It would not be possible to do this in the time remaining before the Conference. Indeed, given the deadlines for Conference documents we would have only a few days available after this Governing Body meeting to prepare such a document.

You have also before you Volume 2 of the programme and budget, which provides descriptions of the work of the current programme structure foreseen for 2000-01. It essentially expands on the activities described in Volume 1, but according to the structure with which you are familiar. It therefore supplements the information found in Volume 1. This corresponds to a request made by the Governing Body in its decision on strategic budgeting.

We have made an effort to improve the design and presentation of the programme and budget. I trust you find this presentation more user-friendly.

Permit me to end this presentation by quoting paragraph 10 of my introduction to the budget proposals:

> This budget discussion comes at a time when the ILO is facing tough competition in the real world beyond its offices and meeting-rooms. Other organizations both public and private are offering similar products and services, sometimes with greater visibility and influence. I am firmly convinced that we are in a good position to address this challenge on the basis of traditional ILO values and ideals. But to do so, important changes are necessary. I want the ILO to become a modern, dynamic Organization which combines adaptability with a strategic vision of its mission. It should be capable of redefining priorities and reassigning resources in a normal management process responsive to new demands and emerging needs. It should be certain of its identity and self-assured of its areas of competence — an attractive institution that combines knowledge, service and advocacy in creative and imaginative ways to the satisfaction of all its constituents, stakeholders and donors.

Geneva, 8 March 1999.

Appendix II

Director-General's reply to the discussion in the Programme, Financial and Administrative Committee of the Programme and Budget proposals for 2000-01

Let me begin by stating anew the significance I attach to the budget as a financial programme and management tool. On many occasions, I have expressed my belief that the Governing Body and the Office are partners with differentiated responsibilities but with the common objective of ensuring the success of the ILO. Our work in the Programme, Financial and Administrative Committee is a strategic link where that partnership takes shape.

Last week there were two first events. One was the discussion of my first programme and budget proposals of the ILO, prepared, as you know, under special circumstances even before I assumed my post of Director-General. The other was the first discussion of a new style of budget, the strategic budget. I am happy, as I believe you are, that these first events met with success and that together we are launching the strategic budgeting process within the ILO.

I am happy not only for your general approval of the budget, important as that is, I am also happy because I believe that last week's discussion demonstrated two things. There is a consensus, which I dare call unanimous, on the four strategic objectives which define the purposes of our programmes of activity. This is vital. If we can agree on our objectives we have the basis of agreement on the modalities of achieving them. If purposes are not agreed then all discussion of means is compromised from the beginning.

The second important development is, I believe, an understanding of the significance of the strategic budget for the management of our programmes and of the next steps in implementing budgetary and management reforms.

This shows our mutual capacity for consultation and dialogue. It is also testimony to our will to listen, for indeed, listening is a crucial aspect of communication. I assure you that these next steps in the further approval of the budget and of its implementation will be done in consultation with you.

I found the discussion heartening in many ways. The overall level of the budget was endorsed. The content of the programme and of the new InFocus programmes met with general approval as well as the approach I intend to follow in linking the budget with technical cooperation. My intention to develop the Organization's knowledge, service and advocacy functions met with your agreement together with the imperative need to strengthen human resource development in the Office.

Your remarks were, moreover, highly pertinent and well informed. They clearly enriched my understanding of your interest and concerns. They will help me define better the budgeting process as we move towards November. And, of course, they raised very useful points of clarification. There are texts in the document which in the light of your comments require clearer explanation, balance or further development.

Let me comment on some of the questions and points of view expressed in your debate. Several speakers called for more resources for the employment objective. Some spoke of the need for more under the principles and rights objective. The indicative figures given for the four strategic objectives may well change in the November document when we have completed a number of internal reviews but I would not expect to depart dramatically from the figures before you now. Some remarks related to questions of internal structure, for instance, on the need to make a separation between the Office's work on the promotion of standards from its regular supervisory work on standards. Mr. Marshall spoke of the need to have clear structures for our employment activities. On both questions; yes, this is my firm intention. Perhaps one of the strongest messages was

that of the need to develop linkages among the four strategic objectives. They are united by the notion of decent work as I explained in one of my replies and we must articulate programmes with this unifying view in mind.

Other concerns were expressed about such matters as multinationals, contract labour, migrants, the informal economy — issues which remain controversial and on which the work of the Office must be objective and attentive to the conclusions reached in the Governing Body or other ILO forums. On multinationals I believe it is right to say that we need to tap the opportunities which globalization offers as much as dealing with the problems. If we don't we will always be running after the problems with a safety net, and while protection from the adverse consequences of global trends is needed, so is a strategy which in the end should make safety nets redundant. So we need to make social policy a productive factor, and understand that economic efficiency and social efficiency go hand in hand. But that makes it all the more important to perceive well the ways in which the competitive pressures and the social impact of international investments interact. In this, multinational enterprises play an important role.

On contract labour there were different positions expressed by Employers and Workers. May I just recall that the Meeting of Experts on Workers in Situations Needing Protection foreseen for 2000 gives effect to a resolution adopted by the International Labour Conference last year.

On migrant workers, I fully agree with Mr. Blondel, with the delegate from Germany and with some other speakers, about the importance of the ILO's work on migration. Sometimes so much attention is paid to international financial flows that there is a tendency to forget that workers also move across borders. From the ILO's perspective, this is an important aspect of many labour markets, and one involving critical problems of social protection, of organization and representation, of basic rights. The Transition Team with the staff of the Office have worked out possible future priorities in this field. A general survey on ILO standards concerning migrant workers has also been prepared for this year's Conference. I will be using this background work to map out future ILO activities on migration.

The strategic budget has many proposals on the informal economy simply because it is so big and the ILO must do more to address it. Our challenge is to upgrade both productivity and protection in the informal economy, on which so many people rely to earn their livelihood. In the developing world, this is a key issue highlighted by many speakers. Obviously the ILO's ultimate goal is to promote decent work for all under the best circumstances and conditions possible, whether in the informal or the formal economy.

The African group raised a question concerning the link between country objectives and technical cooperation. May I assure you that the absence of an ILO country objective strategy is not an impediment for the ILO to undertake technical cooperation. Ms. Perlin raised the issue of financing an overhaul of our internal financial systems. The cost of this work, probably in the order of $15-20 million, cannot be met within a zero growth budget. If the present positive financial situation of the Office is maintained, it might permit financing to be found outside the framework of the Programme and Budget for 2000-01. I must state that I believe this is a key priority if the strategic budget is to have the appropriate technical back-up system. I'll revert to this question at a future session of the Governing Body.

There were many useful and practical comments that do not require specific answers but will be considered in the coming stages of the budget process.

I turn now to the next steps in budgetary approval in June and November.

I begin by drawing to your attention the Report I am presenting to the June Conference. I do so because this Report, prepared by the Transition Team, is atypical. Usually these reports deal with a theme of present or future importance for the

Organization. Mine will as well but it is very much a programmatic report, setting out for discussion what I think are the future programme priorities for the Organization.

It projects forward the programmes found in the Programme and Budget for 2000-01 and is organized around the four strategic objectives. I mention this because when the Conference considers our next budget it will at the same time have information on the proposed future orientation of programmes which will enable delegates to situate a particular budgetary period in a longer term horizon.

For June, I suggest that we submit to the Conference Volume 1, the strategic budget, together with certain items found in Volume 2. These would be the two summary tables at the beginning of Volume 2 — proposed expenditure budget by appropriation line, and regular budget estimates and analysis by increases and decreases. The texts on Other budgetary provisions, Unforeseen expenditure, Working Capital Fund and all six of the information annexes would also go to the Conference. The Conference would also have a complete record of your discussion of the programme and budget. I believe this would be an adequate basis for Conference discussion of the budget.

I take note that, in the words of Ms. Perlin, you would like Volume 2 to be "graciously retired" and it will so be done. It will not be transmitted to the Conference.

We will have a further discussion of the budget in November. Let me assure you on three procedural points. First, the process agreed upon for the approval of this budget is exceptional. I do not envisage three stages for the 2002-03 budget. Adequate information will be given to the Governing Body in March 2001 to enable it to complete its discussion at that session. Secondly, sufficient time will be made available this November for you to consider the budget documents that will be before you. Thirdly, you will be asked to approve budget estimates by programme and not simply take note of them. The text of the budget resolution before you provides in paragraph 148(b) a request from the Conference that the Director-General submit these estimates to you in November. Legally, they must be submitted for your approval.

For November, I will submit a document based on the strategic budget. My intention is to move strategic budgeting to its next phase. It will take account of remarks made at this session of the Governing Body. There were a number of comments made about the operational objectives, particularly in the employment area, and I want them reviewed to ensure that they are clear and verifiable. I will indicate how the InFocus programmes fit within the overall programme at headquarters and in the regions. I am committed to provide as well targets and performance indicators for our next programme budget. They will focus on key results and as such will be limited in number although they will be linked to secondary level objectives and workplans for use by the Office. As mentioned, you will have financial tables showing the allocation of resources by programme and object of expenditure.

I will also inform you of progress made in bringing about internal organizational change. I also foresee that before, during and, if necessary, after November, there will be a dialogue with you on the nature of reporting on programme implementation and on evaluation. It is essential that before I begin reporting on the implementation of the strategic budget that we agree on the form and frequency of this reporting. The same will be true of evaluation. I trust we can work this out through informal consultations.

All of these issues are complex and will require sensitive handling. I will need to count on the best capacities available within the Office and among ILO constituents. I will call upon you to make available your top people to help us plan, prepare and implement the changes ahead.

Let me conclude by thanking you for your positive and constructive support of these budget proposals. They are the beginning of a process of a different way of managing the ILO. As with anything new there will be a need for fine tuning and adjustment as we go along. I will keep you informed as you will inform me of your concerns. You have the

responsibility for governance. I have the responsibility for the management of the Office. The two roles are distinct and must not be confused but they must work in harmony. I am confident that this will continue to be the case. I return to my notion of partnership. We will do it well if we do it together. We will be successful if we have the will to succeed. We will be strong if we are united.

Geneva, 18 March 1999.

Annex 2

Report of the Government members of the Committee on Allocations Matters (GB.274/9/4)

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.274/9/4
274th Session

Geneva, March 1999

NINTH ITEM ON THE AGENDA

Reports of the Programme, Financial and Administrative Committee

Report of the Government members of the Committee on Allocations Matters

1. The Government members of the Programme, Financial and Administrative Committee of the Governing Body met on 9 March 1999 under the chairmanship of Mr. A. Khorram, Chairman of the Government group, who also acted as Reporter.

Scales of assessment of contributions to the budget for the 2000-01 financial period

(First item on the agenda)

2. The Government members considered a paper[1] recommending a draft scale of assessments for ILO member States for the year 2000. In common with past practice, the draft scale was based on the latest rates of assessment for ILO member States in the United Nations scale of assessment of contributions.

3. The representative of the Government of Malaysia pointed out that neither the draft ILO scale nor the latest United Nations scale took account of the difficult economic conditions faced by a number of member States. In his own country GDP growth had dropped from more than 8 per cent in 1997 to just over 1 per cent in 1999, and this year it faced a 120 per cent increase in its ILO contribution in local currency terms. Many other member States faced similar difficulties.

4. The representative of the Government of the United States expressed support for the point for decision and for the suggestion in the Office paper to defer decision on a scale of assessments for 2001 until the March 2000 session of the Governing Body. In accordance with the principle of harmonizing the ILO and UN scales of assessment, the ILO scale for 2001 should be based on the UN scale for the same period.

[1] GB.274/PFA/GMA/1.

5. The Government members of the Programme, Financial and Administrative Committee recommend to the Governing Body that, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with their rates of assessment in the United Nations, it base the ILO scale of assessment for 2000 on the UN scale for 2000, and that it accordingly propose to the Conference the adoption of the draft scale of assessment for 2000 as set out in column 3 of the appendix to this report, subject to such adjustments as might be necessary following any further change in the membership of the Organization before the Conference is called upon to adopt the recommended scale.

Procedure for the possible continuation of the work of the Government members of the Programme, Financial and Administrative Committee in relation to allocations matters during the International Labour Conference

(Second item on the agenda)

6. The Government members considered a paper[2] describing the procedure to be followed if they were required to meet during the 87th (June 1999) Session of the Conference.

7. The Government members recommend to the Governing Body that they be authorized to continue their work, if necessary, after the Governing Body has concluded its work at this (274th) Session and to submit their report direct to the Finance Committee of Government Representatives of the Conference.

Geneva, 17 March 1999.

(Signed) A. Khorram,
Chairperson and Reporter.

Points for decision: Paragraph 5;
Paragraph 7.

[2] GB.274/PFA/GMA/2.

Appendix

Scale of Assessments

State	ILO assessments 1999 Col.1 %	UN assessments 2000 Col. 2 %	Draft scale of ILO assessments 2000 Col. 3 %	Increase/Decrease (Diff. Between Cols. 1 & 3) Col.4 %
1 Afghanistan	0.003	0.003	0.003	-
2 Albania	0.003	0.003	0.003	-
3 Algeria	0.092	0.086	0.085	(0.007)
4 Angola	0.010	0.010	0.010	-
5 Antigua and Barbuda	0.002	0.002	0.002	-
6 Argentina	1.008	1.103	1.086	0.078
7 Armenia	0.011	0.006	0.006	(0.005)
8 Australia	1.459	1.483	1.460	0.001
9 Austria	0.927	0.942	0.928	0.001
10 Azerbaijan	0.022	0.011	0.011	(0.011)
11 Bahamas	0.015	0.015	0.015	-
12 Bahrain	0.017	0.017	0.017	-
13 Bangladesh	0.010	0.010	0.010	-
14 Barbados	0.008	0.008	0.008	-
15 Belarus	0.081	0.057	0.056	(0.025)
16 Belgium	1.086	1.104	1.087	0.001
17 Belize	0.001	0.001	0.001	-
18 Benin	0.002	0.002	0.002	-
19 Bolivia	0.007	0.007	0.007	-
20 Bosnia and Herzegovina	0.005	0.005	0.005	-
21 Botswana	0.010	0.010	0.010	-
22 Brazil	1.448	1.471	1.449	0.001
23 Bulgaria	0.019	0.011	0.011	(0.008)
24 Burkina Faso	0.002	0.002	0.002	-
25 Burundi	0.001	0.001	0.001	-
26 Cambodia	0.001	0.001	0.001	-
27 Cameroon	0.013	0.013	0.013	-
28 Canada	2.712	2.732	2.690	(0.022)
29 Cape Verde	0.002	0.002	0.002	-
30 Central African Republic	0.001	0.001	0.001	-
31 Chad	0.001	0.001	0.001	-
32 Chile	0.129	0.136	0.134	0.005
33 China	0.958	0.995	0.980	0.022
34 Colombia	0.107	0.109	0.107	-
35 Comoros	0.001	0.001	0.001	-
36 Congo	0.003	0.003	0.003	-
37 Costa Rica	0.016	0.016	0.016	-
38 Côte d'Ivoire	0.009	0.009	0.009	-
39 Croatia	0.035	0.030	0.029	(0.006)
40 Cuba	0.026	0.024	0.024	(0.002)
41 Cyprus	0.033	0.034	0.033	-
42 Czech Republic	0.119	0.107	0.105	(0.014)
43 Democratic Republic of the Congo	0.007	0.007	0.007	-
44 Denmark	0.680	0.692	0.681	0.001
45 Djibouti	0.001	0.001	0.001	-
46 Dominica	0.001	0.001	0.001	-
47 Dominican Republic	0.015	0.015	0.015	-
48 Ecuador	0.020	0.020	0.020	-
49 Egypt	0.064	0.065	0.064	-
50 El Salvador	0.012	0.012	0.012	-
51 Equatorial Guinea	0.001	0.001	0.001	-
52 Eritrea	0.001	0.001	0.001	-
53 Estonia	0.015	0.012	0.012	(0.003)
54 Ethiopia	0.006	0.006	0.006	-
55 Fiji	0.004	0.004	0.004	-
56 Finland	0.534	0.543	0.535	0.001
57 France	6.441	6.545	6.445	0.004
58 Gabon	0.015	0.015	0.015	-

State	ILO assessments 1999 Col.1 %	UN assessments 2000 Col. 2 %	Draft scale of ILO assessments 2000 Col. 3 %	Increase/Decrease (Diff. Between Cols. 1 & 3) Col.4 %
59 Gambia	0.001	0.001	0.001	-
60 Georgia	0.019	0.007	0.007	(0.012)
61 Germany	9.659	9.857	9.707	0.048
62 Ghana	0.007	0.007	0.007	-
63 Greece	0.346	0.351	0.346	-
64 Grenada	0.001	0.001	0.001	-
65 Guatemala	0.018	0.018	0.018	-
66 Guinea	0.003	0.003	0.003	-
67 Guinea-Bissau	0.001	0.001	0.001	-
68 Guyana	0.001	0.001	0.001	-
69 Haiti	0.002	0.002	0.002	-
70 Honduras	0.003	0.003	0.003	-
71 Hungary	0.118	0.120	0.118	-
72 Iceland	0.031	0.032	0.031	-
73 India	0.294	0.299	0.294	-
74 Indonesia	0.181	0.188	0.185	0.004
75 Iran, Islamic Republic of	0.190	0.161	0.158	(0.032)
76 Iraq	0.044	0.032	0.031	(0.013)
77 Ireland	0.221	0.224	0.221	-
78 Israel	0.340	0.350	0.345	0.005
79 Italy	5.350	5.437	5.354	0.004
80 Jamaica	0.006	0.006	0.006	-
81 Japan	19.681	20.573	20.260	0.579
82 Jordan	0.006	0.006	0.006	-
83 Kazakhstan	0.065	0.048	0.047	(0.018)
84 Kenya	0.007	0.007	0.007	-
85 Korea, Republic of	0.979	1.006	0.991	0.012
86 Kuwait	0.132	0.128	0.126	(0.006)
87 Kyrgyzstan	0.008	0.006	0.006	(0.002)
88 Lao People's Democratic Republic	0.001	0.001	0.001	-
89 Latvia	0.024	0.017	0.017	(0.007)
90 Lebanon	0.016	0.016	0.016	-
91 Lesotho	0.002	0.002	0.002	-
92 Liberia	0.002	0.002	0.002	-
93 Libyan Arab Jamahiriya	0.130	0.124	0.122	(0.008)
94 Lithuania	0.022	0.015	0.015	(0.007)
95 Luxembourg	0.067	0.068	0.067	-
96 Madagascar	0.003	0.003	0.003	-
97 Malawi	0.002	0.002	0.002	-
98 Malaysia	0.177	0.183	0.180	0.003
99 Mali	0.002	0.002	0.002	-
100 Malta	0.014	0.014	0.014	-
101 Mauritania	0.001	0.001	0.001	-
102 Mauritius	0.009	0.009	0.009	-
103 Mexico	0.965	0.995	0.980	0.015
104 Moldova, Republic of	0.018	0.010	0.010	(0.008)
105 Mongolia	0.002	0.002	0.002	-
106 Morocco	0.040	0.041	0.040	-
107 Mozambique	0.001	0.001	0.001	-
108 Myanmar	0.008	0.008	0.008	-
109 Namibia	0.007	0.007	0.007	-
110 Nepal	0.004	0.004	0.004	-
111 Netherlands	1.606	1.632	1.607	0.001
112 New Zealand	0.218	0.221	0.218	-
113 Nicaragua	0.001	0.001	0.001	-
114 Niger	0.002	0.002	0.002	-
115 Nigeria	0.039	0.032	0.031	(0.008)
116 Norway	0.601	0.610	0.601	-
117 Oman	0.050	0.051	0.050	-
118 Pakistan	0.058	0.059	0.058	-
119 Panama	0.013	0.013	0.013	-
120 Papua New Guinea	0.007	0.007	0.007	-

State	ILO assessments 1999 Col.1 %	UN assessments 2000 Col. 2 %	Draft scale of ILO assessments 2000 Col. 3 %	Increase/Decrease (Diff. Between Cols. 1 & 3) Col.4 %
121 Paraguay	0.014	0.014	0.014	-
122 Peru	0.093	0.099	0.097	0.004
123 Philippines	0.079	0.081	0.080	0.001
124 Poland	0.204	0.196	0.193	(0.011)
125 Portugal	0.411	0.431	0.424	0.013
126 Qatar	0.032	0.033	0.032	-
127 Romania	0.066	0.056	0.055	(0.011)
128 Russian Federation	1.464	1.077	1.061	(0.403)
129 Rwanda	0.001	0.001	0.001	-
130 Saint Kitts and Nevis	0.001	0.001	0.001	-
131 Saint Lucia	0.001	0.001	0.001	-
132 Saint Vincent and the Grenadines	0.001	0.001	0.001	-
133 San Marino	0.002	0.002	0.002	-
134 Sao Tome and Principe	0.001	0.001	0.001	-
135 Saudi Arabia	0.560	0.562	0.553	(0.007)
136 Senegal	0.006	0.006	0.006	-
137 Seychelles	0.002	0.002	0.002	-
138 Sierra Leone	0.001	0.001	0.001	-
139 Singapore	0.173	0.179	0.176	0.003
140 Slovakia	0.038	0.035	0.034	(0.004)
141 Slovenia	0.060	0.061	0.060	-
142 Solomon Islands	0.001	0.001	0.001	-
143 Somalia	0.001	0.001	0.001	-
144 South Africa	0.360	0.366	0.360	-
145 Spain	2.550	2.591	2.551	0.001
146 Sri Lanka	0.012	0.012	0.012	-
147 Sudan	0.007	0.007	0.007	-
148 Suriname	0.004	0.004	0.004	-
149 Swaziland	0.002	0.002	0.002	-
150 Sweden	1.067	1.079	1.063	(0.004)
151 Switzerland	1.196	1.215	1.196	-
152 Syrian Arab Republic	0.063	0.064	0.063	-
153 Tajikistan	0.005	0.004	0.004	(0.001)
154 Tanzania, United Republic of	0.003	0.003	0.003	-
155 Thailand	0.164	0.170	0.167	0.003
156 The former Yugoslav Republic of Macedonia	0.004	0.004	0.004	-
157 Togo	0.001	0.001	0.001	-
158 Trinidad and Tobago	0.017	0.016	0.016	(0.001)
159 Tunisia	0.028	0.028	0.028	-
160 Turkey	0.433	0.440	0.433	-
161 Turkmenistan	0.008	0.006	0.006	(0.002)
162 Uganda	0.004	0.004	0.004	-
163 Ukraine	0.297	0.190	0.187	(0.110)
164 United Arab Emirates	0.175	0.178	0.175	-
165 United Kingdom	5.013	5.092	5.014	0.001
166 United States	25.000	25.000	25.000	-
167 Uruguay	0.047	0.048	0.047	-
168 Uzbekistan	0.036	0.025	0.025	(0.011)
169 Venezuela	0.173	0.160	0.157	(0.016)
170 Viet Nam	0.007	0.007	0.007	-
171 Yemen	0.010	0.010	0.010	-
172 Yugoslavia (See Note)	0.033	0.026	0.026	(0.007)
173 Zambia	0.002	0.002	0.002	-
174 Zimbabwe	0.009	0.009	0.009	-
	100.000	101.159	100.000	-

Note : This refers to the former Socialist Federal Republic of Yugoslavia. Pursuant to decisions taken by the ILO Governing Body on the basis of relevant United Nations resolutions, no State has been recognized as the continuation of that Member.

Annex 3

Proposed amendments to the Financial Regulations (GB.274/PFA/7)

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.274/PFA/7
274th Session

Geneva, March 1999

Programme, Financial and Administrative Committee

PFA

SEVENTH ITEM ON THE AGENDA

Accrual accounting

Proposed amendments to the Financial Regulations and Financial Rules

1. At its 259th Session (March 1994), the Committee considered a paper[1] on the introduction throughout the UN system of the common accounting standards adopted by the Administrative Committee on Coordination (ACC). In presenting the standards, the Office explained that the major difference between the standards and ILO practice was the basis of recognition of income and expenditure. A fundamental accounting assumption in the standards is the accrual basis of accounting for revenue and expenditure. This means that income is recognized when it is due and not when it is received and that expenditure is recognized when obligations arise and not when payments are made.[2] Under the ILO's Financial Regulations, income and expenditure are recognized on a cash basis, that is to say when money is received and cash payments are made.

2. The recognition of income when it is due could give rise to serious treasury problems if budgetary expenditure were to be incurred regardless of the level of contributions actually collected and if budgetary surpluses were to be distributed with no cash backing. In recognition of this risk, the initial version of the standards allowed for provision to be made for delays in the collection of income, but the methodology for determining the amount of this provision was not stated.

3. As regards the issue of expenditure, the ILO operates on a cash basis for the regular budget and other sources of funds, while for expenditure under UNDP- and UNFPA-financed projects, unliquidated obligations are recorded as expenditure in accordance with specific criteria provided by these two funds. However, for the regular budget and other sources of funds, virtually the same result is achieved as with the accrual method, by continuing to make payments relating to the budget of the financial period during January of the following year in accordance with article 17 of the Financial Regulations.

[1] GB.259/PFA/4/3.

[2] The latest versions of the relevant standards are reproduced in Appendix IV.

4. In his reports on both the 1994-95 and 1996-97 accounts, the External Auditor recommended that the Office take final steps towards the full introduction of the standards, mentioning accrual accounting as the major area in which the ILO did not comply with the standards; he stated however that such compliance would require amendments to the Financial Regulations and the Financial Rules. The Office had indicated, in notes to the financial statements for both these biennia, the areas in which the accounting standards had not been applied, in accordance with the requirement in the standards that when organizations find it necessary to depart from the practice set out in the standards they should disclose the reasons for so doing in the statement of significant accounting policies included in their financial statements. In adopting the standards, it had been the intention of the ACC that the standards should form the basis for the accounting policies of each organization in conjunction with the organization's financial regulations and relevant decisions of their legislative authorities. It had been recognized that organizations' individual legislative authorities had ultimate responsibility for deciding on the financial arrangements for their work, and that their regulations, rules and decisions might in some cases involve variations from common approaches as set out in the standards.

5. A further revision of the standards, in October 1997, defined more clearly the provision for delays in the receipt of assessed contributions, recognizing that, when a provision is made, it must be 100 per cent of the unpaid contributions at the date of the financial statements at the end of the financial period. [3] With this change, the treasury problems mentioned above would no longer exist since the inclusion of such a provision effectively reinstates accounting for assessed contributions on a cash basis.

6. The Office has now completed a study of the introduction of accrual accounting, including a review of the Financial Regulations and the Financial Rules. It is evident that the introduction of accrual accounting for income no longer holds the same risks as before, since a provision of 100 per cent for delays in payment of contributions can be made. As regards other income, accrual accounting would produce a more balanced picture, as income would be recorded when it was actually earned, rather than when it was received. An example is investment income where interest earned but not yet received would be recorded at the end of each financial period, and investment income for the financial period would reflect real earnings for the full period rather than cash income which depended on the dates of maturity of investments.

7. As mentioned in paragraph 3 above, it is not expected that a move to accrual accounting for expenditure will produce any significant changes in expenditure totals. Expenditure accrued at the end of a financial period would consist of unliquidated obligations [4] at that time, the sole difference from the present practice being that these would be recorded as expenditure through the setting up of liabilities in the accounts rather than through payments in January. The criteria for determining which obligations should be accrued would be based on those

[3] See para. 32 in Appendix IV for the text of the relevant standard.

[4] Such as those for external collaborators where work has been completed but not yet paid, or equipment purchases that have been delivered but remain unpaid.

generally in use in the other organizations of the UN system which use accrual accounting. Modifications to computer systems would be necessary, but would be of a minor nature.

8. The introduction of accrual accounting from the 66th financial period (1998-99) would thus present no major difficulties, and would have the advantage of complying with the common accounting standards of the UN system. The amendments to the Financial Regulations and Financial Rules that would be necessary to introduce accrual accounting are given in Appendices II and III to this paper.

9. ***The Programme, Financial and Administrative Committee may therefore wish to recommend to the Governing Body that it —***

(a) propose to the International Labour Conference, for adoption at its 87th Session (June 1999), the draft resolution in Appendix I amending the Financial Regulations;

(b) approve the draft amendments to the Financial Rules set out in Appendix III to this paper, on the understanding that the amendments would only enter into force should the International Labour Conference adopt the resolution mentioned in (a) above.

Geneva, 4 January 1999.

Point for decision: Paragraph 9.

Appendix I

Resolution to be submitted to the 87th Session of the International Labour Conference

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to enable the Organization to follow the common accounting standards of the United Nations system;

Decides to make the following amendments to the Financial Regulations:

(a) Paragraph 5 of **article 10** shall read:

5. All contributions due in a financial period shall be recorded as income in that financial period, and shall be accounted for in United States dollars at the budget rate of exchange for that financial period.

(b) Paragraph 1 of **article 17** shall read:

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and unliquidated obligations as at the last day of the financial period. Such portion of appropriations as may be required to meet these unliquidated obligations shall remain available for twelve months at the end of which any remaining balances shall be credited to miscellaneous income.

(c) The present paragraph 2 of **article 17** shall be deleted.

(d) The present paragraph 3 of **article 17** shall be renumbered as paragraph 2 and shall read:

2. Obligations which could not be charged to the appropriations of the preceding financial period may, if the Director-General should so decide, be charged to the appropriations of the current financial period. Nevertheless, there shall be included in the budget for each financial period an item entitled "Unpaid liabilities" to which may be charged any payments of a similar character which it would not be appropriate to pay from any other item of the budget. Payment of obligations due in respect of transactions covered by the budget of any financial period preceding the last financial period shall be subject to the prior authorization of the Governing Body.

(e) Paragraph 4 of **article 17** shall be deleted.

(f) **Article 18** shall read:

1. The excess or shortfall of income over expenditure in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the date of the financial statements at the end of the financial period.

2. Any such excess of income over expenditure, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so, their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Appendix II

Amendments to the Financial Regulations of the International Labour Organization

(Additions are shown in bold type; deletions are indicated by square brackets)

ARTICLE 10

...

5. All contributions [received] **due** in a financial period **shall be recorded as income in that financial period and** shall be accounted for in United States dollars at the budget rate of exchange for that financial period.

...

ARTICLE 17

[1. All payments in respect of transactions for which provision is made in the budget shall be charged to the accounts of the financial period during which the transactions take place if the payments are made not later than 31 January of the year following the close of said financial period.]

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and unliquidated obligations as at the last day of the financial period. Such portion of appropriations as may be required to meet these unliquidated obligations shall remain available for twelve months, at the end of which any remaining balances shall be credited to miscellaneous income.

[2. Persons to whom any payment is due in respect of a transaction in any financial period shall be requested to submit their accounts in good time before 31 January of the year following the close of said financial period, and shall, as far as possible, be tendered payment before that date.]

2.[3. Notwithstanding the provisions of paragraph 1 above, debts] **Obligations** which could not be [paid in time to be chargeable to the accounts] **charged to the appropriations** of the preceding financial period [owing to unavoidable delay in the presentation of settlement of accounts] may, if the Director-General should so decide, be charged to the [account] **appropriations** of the current financial period. Nevertheless, there shall be included in the budget for each financial period an item entitled "Unpaid liabilities" to which may be charged any payments of a similar character which it would not be appropriate to pay from any other item of the budget. Payment of [debts] **obligations** due in respect of transactions covered by the budget of any financial period preceding the last financial period shall be subject to the prior authorization of the Governing Body.

[4. Creditors who, after their attention has been called to the provisions of this article, neglect to present their accounts in time to allow for payment by the prescribed date, if they cannot be paid in the manner indicated in paragraph 3 above without preventing payment of creditors who satisfy the requirements of paragraph 3, shall be informed that their accounts cannot be paid until the necessary sum has again been appropriated by the Conference.]

ARTICLE 18

1. The excess or shortfall of income over expenditure in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the date of the financial statements at the end of the financial period.

2. [If the difference between budgetary income and expenditure in any complete financial period expressed in United States dollars constitutes a credit balance, the Swiss franc equivalent of the corresponding cash surplus] **Any such excess of income over expenditure, expressed in Swiss francs** calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which [the cash] **this** surplus accrued shall have their share of the [cash] surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the [cash] surplus accrued. When they have done so, their share of such [cash] surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Appendix III

Amendments to the Financial Rules of the International Labour Office

(Additions are shown in bold type; deletions are indicated by square brackets)

3.30 Miscellaneous Income

Miscellaneous income consists of the following categories of [receipts] **income** accruing to the ILO:

(i) [receipts from] interest **income** which [are] **is** not required to be credited to the fund from which [they derive] **it derives**;

(ii) [receipts] **income** from the sale of publications, including related royalties and fees;

(iii) the difference between gains and losses on exchange excluding gains and losses on exchange on valuations of budgetary income and expenditure and on the revaluation of regular budget assets and liabilities held in currencies other than the United States dollar;

(iv) amounts recovered in respect of payments effected by the Organization if received after the end of the financial period in which the related payment was made;

(v) cheques remaining uncashed for a period of twelve months after the date drawn where cancellation takes place in a different financial period;

(vi) **any remaining balances of unliquidated obligations set up in the previous financial period; and**

(vii) other [miscellaneous cash receipts] **income**.

3.31 Payments into Publications Revolving Fund

Up to 100 per cent of the [receipts] **income** from the sale of publications, including related royalties and fees, may be [paid into] **credited to** the Publications Revolving Fund at the discretion of the Director-General, and used in accordance with the separate rules governing the operation of the Fund approved by the Governing Body.

3.32 Treatment of [Receipts] **Income** from Rentals

[Receipts] **Income** from the rental of premises shall be [paid into] **credited to** the Building and Accommodation Fund, which may be drawn upon only with the authorization of the Governing Body for specific purposes relating to ILO premises, in particular to meet costs of construction, alterations, repairs and renewals. The [rentals received] **rental income** shall be credited to the Fund after deduction of an appropriate amount in respect of heating, lighting and other facilities and services covered by them, provided that [payment] **expenditure** and reimbursement for such facilities and services occur within the same financial period; the amounts deducted shall be credited to the budget provisions under which the [payments were made] **expenditure was incurred**. Otherwise the full amount of the [rentals received] **rental income** shall be credited to the Fund.

6.30 Time-Limits for Presentation of Claims

(b) Particular care shall be exercised to [prevent arrear claims being made after the close of the financial period] **ensure that all unliquidated obligations are recorded within the appropriate financial period**.

7.60 Time-Limits for Payments

(c) Payments made against the regular budget after [the date set for the closing of the accounts of a given financial period (normally approximately two weeks after the end of the period)] **the end of a financial period** are not allowed as a charge against that financial period **unless unliquidated obligations have been set up in the accounts for the period in accordance with paragraph 1 of article 17 of the Financial Regulations**.

7.70 Currencies of Accounting and Currency Conversion Rates

(c) [Contributions received] **Income from contributions** in a financial period shall be accounted for in US dollars as budgetary income at the budget rate of exchange between the US dollar and the Swiss franc for that financial period. Swiss franc expenditure shall likewise be accounted for in US dollars as budgetary expenditure at the budget rate of exchange. Any differences between the US dollar amounts so calculated and those calculated at the applicable United Nations accounting rate of exchange shall be recorded as gains or losses on exchange in an Exchange Equalization Account.

Appendix IV

Extracts from the United Nations Accounting Standards: Texts relevant to accrual accounting

Paragraph

3. Where individual organizations find it necessary to depart from the practice set out in the standards they should disclose the reasons for doing so in the statement of significant accounting policies included in their financial statements.

4. Going concern, consistency and accrual are fundamental accounting assumptions, which are described below as they apply in the United Nations system. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If these fundamental accounting assumptions are not followed, that fact should be disclosed together with reasons.

   (i) Going concern — The organization is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the organization has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations;

   (ii) Consistency — It is assumed that accounting policies are consistent from one financial period to another;

   (iii) Accrual — The accrual basis of accounting for revenue in each financial period means that income is recognized when it is due and not when it is received. Accrual of expenditure in each financial period means that costs are recognized when obligations arise or liabilities are incurred and not when payments are made.

31. Income for a financial period is defined in the United Nations system as money or money equivalent received or accrued during the financial period which increases net assets. The following are the main types of income received by the organizations:

   (i) Contributions assessed under —

   — regular budgets, or

   — special accounts;

   (ii) Voluntary contributions pledges —

   — in cash, or

   — in kind;

   (iii) Voluntary contributions received to fund specific activities under trust-fund and other arrangements;

   (iv) Other/miscellaneous income.

32. Income from assessed contributions represents a legal obligation of contributors as from the date when it becomes due and payable. Such income should be accordingly recognized as at that date. However, provision may be made for delays in the collection of income so recognized and disclosed in accordance with the formats of the financial statements. Such provision shall be 100 per cent of the unpaid contributions at the date of the financial statements at the end of the financial period.

37. Expenditure for a financial period is the sum of disbursements and valid unliquidated obligations made against the appropriations/allocations of the period. The main types of expenditure incurred by the organizations are (i) expenditure under assessed regular or special budgets, which is governed by organizations' financial regulations, and (ii) expenditure under voluntary

contributions, which may be governed either by the organizations' financial regulations or by separate rules established in accordance with those regulations.

38. Obligations are amounts of orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period and which will require payment during the same or a future period. Obligations under assessed regular or special budgets are maintained for the period specified in the organizations' financial regulations. Obligations charged to voluntary contributions may be maintained either for that period or until liquidated or cancelled.

Annex 4

Composition of the Administrative Tribunal of the ILO
(GB.274/PFA/14/2)

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.274/PFA/14/2
274th Session

Geneva, March 1999

Programme, Financial and Administrative Committee

PFA

FOURTEENTH ITEM ON THE AGENDA

Matters relating to the ILO Administrative Tribunal

Composition of the Tribunal

1. Article III, paragraph 2, of the Statute of the ILO Administrative Tribunal states: "the judges shall be appointed for a period of three years by the Conference". The Tribunal currently has the following composition:

Judges: Mr. Michel Gentot (France), President: term of office expires in July 2001;

Ms. Mella Carroll (Ireland), Vice-President: term of office expires in July 1999;

Mr. Julio Barberis (Argentina): term of office expires in July 2001;

Mr. Seydou Ba (Senegal): term of office expires in July 2000;

Mr. Jean-François Egli (Switzerland): term of office expires in July 2001;

Mr. Mark Fernando (Sri Lanka): term of office expires in July 1999;

Mr. James K. Hugessen (Canada): term of office expires in July 2000.

2. It is proposed to renew for a period of three years the appointment of Ms. Mella Carroll, which expires in July 1999.

3. Mr. Mark Fernando has informed the Office that his commitments do not permit him to continue as a judge of the Administrative Tribunal. ***The Committee may wish to recommend to the Governing Body and, through it, to the Conference, that they convey to Mr. Mark Fernando their appreciation for the services he has rendered to the work of the Administrative Tribunal over the last seven years.*** On the expiry of Mr. Fernando's mandate, there will be a vacant position on the Tribunal.

4. In keeping with the long-standing practice of appointing to the Tribunal persons who hold or have held high judicial office, account being taken of the need for overall linguistic balance and equilibrium in terms of different systems of law and geographical representation, the Director-General, after consulting the Officers of the Governing Body, proposes the following appointment:

— Mrs. Justice Ruma Pal (India, born 1941), appointed to the Bench since August 1990, is currently the Senior Judge in the High Court of Calcutta, which is the Supreme Court of the State of West Bengal. From 1968 to 1990, she practised law as an advocate specialized in civil law cases and constitutional matters. She holds a postgraduate law degree from Oxford University and has participated in several international conferences on human rights and gender-related issues. She is a member of the Executive Council of the Indian Law Institute, and also a member of the Management Team of the Asia-Pacific Advisory Forum on Judicial Education on Equality Issues.

5. The Committee is accordingly invited to recommend to the Governing Body that it submit to the International Labour Conference, for adoption at its forthcoming session, the following resolution:

The General Conference of the International Labour Organization,

Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the term of office of Ms. Mella Carroll (Ireland) for a period of three years;

Expresses its appreciation to Mr. Mark Fernando for the services which he has rendered to the work of the Administrative Tribunal of the International Labour Organization over the last seven years;

Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to appoint as judge of the Administrative Tribunal, for a term of three years with effect from July 1999, Mrs. Justice Ruma Pal (India).

Geneva, 16 March 1999.

Points for decision: Paragraph 3;
Paragraph 5.

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